

February 2026

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# Stewardship Policy

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## CHAPTER 1

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# Scope and purpose

The following policy and processes apply to Columbia Threadneedle Investments' client accounts to the extent agreed upon and/or permissible<sup>1</sup> and for issuers globally subject to any applicable requirements under local law and/or regulation.

The Stewardship Policy ("Policy") applies to all boards of directors and employees of Columbia Threadneedle Investments that support the following legal entities, which have adopted this Policy:

- Threadneedle Asset Management Ltd. Columbia Threadneedle Management Ltd. Columbia Management Investment Advisers, LLC
- Threadneedle Investments Services Ltd.
- Threadneedle International Ltd.
- Threadneedle Management Luxembourg S.A.
- Threadneedle Investments Singapore (PTE.) Ltd.
- Columbia Threadneedle Netherlands B.V.
- Columbia Threadneedle (EM) Investments Limited

This Policy is drafted and reviewed in accordance with regulatory requirements, including those set out by Shareholder Directive, Directive (EU) 2017/828, outlining our approach to and implementation of stewardship.

Please see the Glossary (Chapter 8) for a set of defined terms used in this Policy.

<sup>1</sup> Including voting on behalf of **reo**® clients who subscribe for (Responsible Engagement Overlay) product, which gives investors access to our overall engagement and proxy voting service offerings.

## CHAPTER 2

# Engagement

### Purpose

We engage with companies to help deliver the outcomes our clients expect. Through open dialogue, we seek to increase transparency and support sustainable improvements, including on environmental, social, and governance (ESG) issues, that we believe can enhance long-term value creation. Our goal is to build constructive, long-term relationships with companies that enhance our understanding of their businesses and inform better investment decisions.

### Engagement definition

Engagement is direct, constructive dialogue with company leadership to deepen our understanding of strategy, financial drivers, operations, governance and sustainability (including environmental, social and governance (ESG) factors) - all critical inputs to our fundamental analysis. Through this dialogue, we aim to challenge and validate our investment thesis, share our long-term investor perspectives with company leadership and, where appropriate, influence corporate priorities to enhance long-term value creation.

Engagement under this policy may cover listed equities; corporate credit; Sovereign, Supranational and Agency (SSA) issuers; private equity; real estate; collateralized loan obligations; asset backed securities; municipal bonds; and commodities.

For **reo**® clients engagement under this policy covers listed equities, and corporate (financial and non-financial) credit.

Our engagement activity with issuers is supported by broader public policy engagement, where we believe it is in the best interests of all our clients.

### Commitments

Our engagement approach is informed by international codes and standards, such as the International Labour Organization (ILO) Core Conventions, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights, the UN Global Compact,

climate disclosure standards in relevant jurisdictions, drawing on guidance published by the IFRS, which integrates TCFD principles, the Taskforce on Nature-related Financial Disclosures, the International Sustainability Standards Board, and national corporate governance principles and codes of business best practice .

### Engagement implementation

Our engagement programme is executed primarily by our Global Fundamental Research team working with portfolio managers, which includes our Sustainable Research analysts as well as the Corporate Governance and Proxy Voting team, or for specific strategies by ESG desk analysts. Meetings with issuers are deliberately structured to address both fundamental investment questions and engagement objectives and are open to all investment professionals via our global calendar. Engagement linked to global norms breaches or specific client requests are executed by the RI Team. All engagement occurs in close collaboration with fundamental research analysts and portfolio managers.

Engagement identification, prioritization, and process

We identify and prioritize issuers for engagement based on the following:

- Client holdings, including those of **reo**® clients
- Analysts' coverage, judgement and expertise
- Client preferences, mandates, policies and guidelines
- Material risks and opportunities identified by research and engagement
- Potential systemic risks, including geopolitical, regulatory, financial conditions, and sustainability risks
- Event-driven, such as annual general meetings or unscheduled controversies
- Regulatory or jurisdictional considerations and requirements

Additional considerations may be brought in as new information, and knowledge is acquired during our engagement with issuers, clients and policy makers.

Also, we will utilize specialist data sources to identify issuers subject to a specific risk we are focusing on.

### Conducting engagement

Our preferred approach to conducting engagement is to use constructive, confidential dialogue, typically interacting one-to-one with issuers and building a relationship of trust over time as long-term investors. All meetings are memorialized with date, participants, objective of the meeting and, as appropriate, the outcome of the engagement. Often, we meet with an issuer multiple times a year, engaging with different individuals (Executive management, Board members, Sustainability leadership), depending on the meeting objective. We track issuers over time to inform our understanding of issuer risks and opportunities, and to inform our proprietary sustainability exposure ratings. Our meeting information, objectives and ratings are accessible to all research analysts, traders and portfolio managers through internal systems. These systems allow us to produce engagement activity reports for internal use, clients, or the general public, e.g. our Stewardship Report.

When it is more effective to take a collaborative approach to enhance our understanding of an issuer, we may participate in engagement activities with other investors, non-governmental organisations (NGOs) or industry groups, where we believe this will be in our clients' best long-term economic interests and subject in all cases to such participation being in full compliance with the requirements of applicable law and/or regulation.

### Public policy engagement

We recognise that policy makers and regulators play an important role in shaping market behaviour and balancing societal, environmental and economic interests, from capital market regulations to employment rules. To that end, we aspire to play a role in public policy development through engagement with policymakers and regulators to the extent we believe it would be in the best interests of our clients to do so. We seek to bring a constructive investor voice to standard settings, and we believe that policy and regulatory change can support long term shareholder value.

### Escalation

If issuers do not demonstrate progress on matters that we believe are in our clients' best long-term economic interests, we may consider further escalation. Escalation activity takes place in collaboration with other investment departments within Columbia Threadneedle Investments to ensure agreement on the need for escalation and alignment on avenues to pursue, acting in the best economic interests of our clients. As stewards of our clients' investments, we have at our disposal several different options for escalation, the options available will depend on the requirements of applicable law and/or regulation. Consequently, in some jurisdictions, certain options may not be available for use at all or may only be available for use on a reduced basis.

Escalation options include:

- Partial or complete divestment<sup>1</sup>
- Proxy voting: Voting against management on key resolutions.
- Annual General Meetings (AGMs): Requesting a shareholder meeting or intervening at an AGM.
- Collaborative engagement: While we generally prefer to engage issuers in private, collaboration with other investors or stakeholders can in certain situations be an impactful engagement or escalation strategy.
- Public statements: For both equity and corporate credit escalation, issuing a public statement outlining views on practices and expectations for its consideration.
- Filing or supporting shareholder resolutions

### Transparency

Clear accountability and transparent communication are key elements of our engagement programme. We report periodically on the number of engagements and engagement outcomes, as well as our public policy engagement. We do this via quarterly and annual stewardship reports that we make publicly available on our website. We also publish research and thought leadership pieces on specific engagement activities and topics; and issue ESG profile and impact reports for a number of funds which have a specific investment mandate that contain information on engagement. These are all available on our website. Additional client-specific as well as strategy/fund-specific reporting is available to respective clients.

Governance oversight as well as conflicts of interest management linked to this topic are covered in respective chapters of the Stewardship Policy (see list of contents).

<sup>1</sup> This does not apply to **reo**® clients given the nature and scope of the service. **reo**® clients may choose to take this path themselves in response to our assessment of inadequate progress against engagement objectives

## CHAPTER 3

# Proxy voting

### Purpose

This chapter outlines our approach to and implementation of proxy voting by our Corporate Governance and Proxy Voting teams. It applies globally to all Columbia Threadneedle Investments client accounts to the extent agreed upon with clients. It also outlines our approach to proxy voting on behalf of **reo**® clients.

We exercise proxy voting rights at company meetings to help deliver the investment outcomes our clients expect acting in their best interests and line with our obligations to them. Through consistent application of our global corporate governance principles, we aim to promote sound corporate practices that support sustainable, long-term value creation. Our process is guided by transparency and accountability: portfolio managers, analysts, and governance specialists collaborate under a structured framework to ensure voting decisions align with our published guidelines and client expectations, including those of our **reo**® clients.

### Background

Columbia Threadneedle Investments needs to fulfil fiduciary responsibilities in terms of how proxies for companies in the portfolios it manages or has discretion over are voted. The Firm must act in the best interests of any account to which it provides services, including investment funds, separately managed accounts or **reo**® accounts (together "Portfolios"). Since a client is the beneficial owner of its portfolio securities, the Firm, acting on the client's behalf, has the obligation to vote proxies relating to the client's portfolio securities subject to any practical limitations or exceptions (including, for example, because a client has opted not to delegate voting discretion to the Firm, due to preference, technical or administrative issues, share blocking, option rights, or other exception or market-specific issues).

Absent specific direction from the client, the Firm will vote proxies related to each Portfolio's securities in a manner it determines to be in the best interests of each Portfolio. The Firm may determine that what is in the best interest of any Portfolio may differ by client

due to differences in investment objectives, different applicable regulatory requirements, or other reasons. For example, with respect to ERISA accounts, there is typically an affirmative obligation to vote proxies for an ERISA account exclusively in the financial interest of plan participants. Non-pecuniary factors, including ESG considerations, can only be taken into account where they have a demonstrable impact on long term financial performance.

While the Firm will make reasonable efforts to vote all securities on behalf of clients, voting proxies of companies in certain jurisdictions may involve greater effort and cost due to the variety of regulatory schemes and corporate practices. Certain countries require securities to be blocked prior to a vote. The Firm typically will not vote securities in shareblocking countries as the need for liquidity outweighs the benefit of voting. There may also be additional costs associated with voting in certain countries such that the Firm may determine that the cost of voting outweighs the potential benefit. Some of the Firm's clients may participate in securities lending programs. In these situations, in which the Firm is responsible for voting a client's proxies, the Firm will work with the client to determine whether there will be situations in which securities loaned out under these lending arrangements will be recalled for the purpose of exercising voting rights. In certain circumstances securities on loan may not be recalled due to clients' preferences or due to circumstances beyond the control of the Firm.

### Global proxy voting process

The Firm exercises Portfolio votes at investee company meetings through the global proxy voting process that aligns with our corporate governance guidelines using its own independent judgement, other than where a client mandate specifies the use of a specific alternative proxy voting policy. Recommendations from third-party research providers are considered as one input among others, but do not determine voting outcomes.

### Corporate Governance Guidelines (“the Guidelines”)

The Guidelines set out factors we consider when voting (see Chapter 3). The Guidelines outline the Firm’s expectations for items that appear most frequently in proxy voting resolutions at shareholder meetings and reflect how the Firm is likely to vote, although in practice we may, depending on a company’s particular circumstances, decide to exercise our discretion to pursue an alternative approach to voting. Where a company’s practices vary from our expectations, we may take this into account in considering whether or not to support a particular resolution, depending on whether we believe this could impede its ability to deliver long term financial performance for investors.

The Guidelines are applied globally subject to requirements under applicable law and/or regulation that may vary according to jurisdiction and save to the extent that one or more legal entities within the Firm are required for some or all their client portfolios to apply an alternative set of guidelines. Furthermore, from time to time one or more legal entities within the Firm may vote differently to one or more of its affiliates having considered the expectations set out in the Guidelines.

The Firm is also cognizant of governance practices and norms in local markets and has developed specific Proxy Voting Rules that, whilst derived from the Guidelines, take into account such nuances for a number of individual countries or regions some of which might supersede the general guidelines. The Firm’s Guidelines and Proxy Voting Rules also cover how we vote on shareholder resolutions, or resolutions for investment funds and other investment vehicles such as investment trusts.

The Guidelines, and any alternative set of guidelines applied for specific client portfolios, are reviewed annually; any changes are proposed by the Corporate Governance and Proxy Voting Team and approved by the Proxy Voting Working Group (“PWG”) and the Governance Committees. Any reference in the remainder of this document to the Guidelines or Proxy Voting Rules shall also be deemed to refer, where applicable, to any alternative applied for specific client portfolios. We have also additional corporate governance guidelines for debt, which reference associated efforts in fixed income (see Chapter 5).

### The Corporate Governance and Proxy Voting team

The Corporate Governance and Proxy Voting team (“the Team”) – reporting into Global Research – is made up of individuals with corporate governance knowledge who are responsible for the analysis and instruction of the Firm’s proxies. They utilise specific regional governance expertise and collaborate with Portfolio Managers (“PMs”), Fundamental and Sustainable Research

Analysts (“Analysts”) and PWG members (where applicable), factoring in company specific information and engagement context as well as information obtained from outside resources, including one or more third-party research providers. In addition, designated Team members are responsible for undertaking all administrative processes necessary for the timely execution of proxy votes. The Team carries out daily and weekly voting workflows to discern what meetings should be manually voted by the Team, after consultation with Fundamental and Sustainable Research and Portfolio Management teams, where applicable. The Team liaises with other operational teams within the Firm in relation to the timely on-boarding of accounts, including third-party client **reo**® accounts, onto the platform of our proxy administrator.

The Team arranges the delivery of client specific proxy voting reporting for all regions and entities in scope of the global proxy voting process. In addition, the Firm’s votes are disclosed on our vote disclosure websites, as arranged through the proxy administrator. Not less frequently than annually, the Team will review and propose changes, if any, for approval by the PWG and the Governance Committees, to the Guidelines. The Team will provide the Proxy Voting Rules, in accordance with the Guidelines to the proxy administrator to use for execution purposes. If the proxy administrator requires assistance in interpreting the Proxy Voting Rules or the Proxy Voting Rules are otherwise unclear as to how a particular matter should be voted, then the Team will work with the proxy administrator to clarify how the matter should be voted by applying the principles and policies underlying our Guidelines. The Team will consult with PMs and Analysts to obtain direction as to how to vote on a matter in the following circumstances:

- If the Team believes that votes should be executed contrary to the Guidelines, as executed by the Proxy Administrator, for a matter the PWG has not previously provided direction on, and the result would be a vote direction not in support of management recommendations; or
- If the principles and policies underlying the Firm’s Guidelines do not clearly provide direction on as to how the matter should be voted in circumstances where the Proxy Administrator has referred such vote to the Team for a decision; or
- Where any vote relates to a ballot forming part of M&A activity or a proxy contest.

The Team will escalate votes to the PWG where:

- Consensus on how to vote cannot be achieved by the Team through the socialisation of votes with PMs and Analysts; or
- A vote is considered reputationally or otherwise sensitive to the Firm and/or its clients.

The Team maintains a log of Manual Vote Recommendations that are proposed to the PWG for review and approval.

### **The Proxy Voting Working Group (“PWG”)**

The PWG is established to support, approve, and oversee how each legal entity exercises its voting rights in investee companies through the Guidelines and ensure they are aligned with clients’ best interests. The PWG’s full mandate is outlined in its Terms of Reference but in summary, the PWG is responsible for:

- Review and approval of changes to our proxy voting policy as set out in this document proposed by the Team;
- Approval of the Guidelines and other policies and procedures pertaining to proxy voting corporate governance;
- Monitoring adherence of proxy voting activities to the applicable policies and procedures as evidenced by our Annual Voting Report;
- Providing direction to the Team on how to vote on certain matters, including where votes will not be executed under the Proxy Voting Rules by the Proxy Administrator;
- Communicating proxy decisions back to the Team for execution; and
- Acting as a focal point to collate regional investment team input and as an escalation point where the Team or PMs/ Analysts view this as desirable.

### **The PWG Chair**

The PWG Chair maintains the following characteristics and responsibilities:

- As an individual with Corporate Governance and other expertise, their main responsibility is to be a point of escalation and consultancy for PWG members, in cases where the Team, PMs and Analysts are unable to reach consensus on a particular vote decision;
- Where the Chair deems a split vote may have specific reputational or other risks, the Chair can escalate to the Governance Committees;

- The Chair does not have the authority to enforce a vote recommendation on members of the PWG and for avoidance of doubt, PWG members cannot delegate discretion over votes to the Chair; and
- The Chair coordinates quarterly and ad hoc meetings of the PWG, including at the request of the Team and PWG members.

### **Investment operations teams**

The Firm’s Investment Operations Teams (where they perform ancillary proxy voting operational functions) perform the following key activities in the global proxy voting process:

- Advise the Team or arrange for the Team to be advised of new clients that require on-boarding and clients to be removed from the proxy voting service contemplated in this document; and
- Notify the proxy administrator of reporting requirements as needed from time to time to be set up on its platform and act as a co-ordination point for all reporting received from the proxy administrator; and
- Advise the Team of specific regulatory changes that may impact the implementation of the proxy voting policy and process.

### **Fund/Portfolio Managers**

PMs perform the following key activities in the global proxy voting process:

- Review voting intentions, as set forth below;
- Highlight/request overrides or manual voting to the Team in place of any votes set to be voted by the proxy administrator in line with the Proxy Voting Rules;
- Provide feedback and/or guidance on voting for issues raised to them by the Team, PWG and/or Governance Committees; and
- Review and provide feedback to the Team and PWG on the annual review of global proxy voting process related policies and policies.

### **Categorisation of votes: execution & manual voting**

PMs and Analysts, globally, are furnished with details of vote intentions for all upcoming meetings, pursuant to the application of our Proxy Voting Rules by our proxy administrator. Based on this information, PMs and Analysts can request overrides of any specific vote intention if they deem it as in one or more clients’ best interests. Any such override is in the first instance

referred to the Team for review. In the event that consensus cannot be reached on any request vote override, then the matter can be escalated by either the Team and/or the PMs and Analysts to the PWG as referenced above "The Corporate Governance and Proxy Voting team" above.

In terms of the categorisation of votes, meetings are then defined as either Priority or Non-Priority, based on defined criteria. All votes are executed in line with the Firm's Proxy Voting Rules, as coded into the proxy administrator's system. The actions subsequently taken are determined by the prioritisation process. In the case of Non-Priority meetings, the Team maintains the authority to execute votes (subject to override requests), utilising "positive discretion" where applicable as set out below – this mainly relates to referred items and **reo**<sup>®</sup> client only meetings. The vast majority of Non-Priority meetings will be voted pursuant to the Firm's Proxy Voting Rules without additional intervention by the Team. Priority meetings, as derived by the prioritisation process, are analysed by the Team. Pursuant to this analysis, the Corporate Governance and Proxy Voting Team maintains "positive discretion", where:

- The Firm's Proxy Voting Rules result in a vote recommendation in support of management, to agree with the recommendation and instruct the vote without specific socialisation with PMs and Analysts (although these voting intentions are provided to PMs and Analysts, who may request overrides);
- The Firm's Proxy Voting Rules result in a vote recommendation not in support of management, to factor in additional information such as company specific and engagement information to avoid the vote against, without specific socialisation with PMs and Analysts;
- The proxy administrator is unable to discern how to apply the Firm's Proxy Voting Rules, to analyse the proposal and where the resultant recommendation, from the Team, is to support management to apply the vote without specific socialisation with PMs and Analysts; or
- The Team may also define additional areas of discretion, in collaboration with PMs, Analysts and PWG members from time to time.

At all times, PMs and Analysts maintain the ability to request an override of an Team decision if they believe a different vote is in a client's best interest. Where the Firm's Proxy Voting Rules result in a recommendation that is not in support of management proposals, or a referral is made by the proxy administrator to the Team, and the Team analyses the proposals and confirms/

determines that the Manual Vote Recommendation should be against management, the Team will:

- Consult with PMs and Analysts providing the specific rationale for the vote against management and aim to reach consensus for the vote instruction across all PMs and Analysts, unless the issue has been previously covered and documented on the list of voting exceptions for which the Team can use "positive discretion";
- Put forward to the PWG for their review and consultation where a consensus cannot be achieved with PMs and Analysts on how to vote a specific meeting or proposal, to gain consensus or permission on how such vote should be exercised which may include splitting the voting outcomes (including but not limited to for reasons such as differing investment mandates from clients);

The Team analyst states the voting recommendation arrived at and makes the case to the PWG as to the rationale behind it. The representatives of the PWG are given an opportunity to respond to the assertions made by the Team in terms of the rationale behind the vote recommendation. Each PWG consultation must include the Regional Representatives of the Firm for which votes may be exercised at a meeting. For avoidance of doubt, the Team reserves the right to split votes, as per the PMs' wishes, where escalation to the PWG would lead to the untimely execution of votes. Some PMs may want the Team to manually vote all the companies held in their accounts to ensure that a closer look is taken at company resolutions, and where applicable, consult the PM for their opinion on how to vote a resolution. Where an all-fund review is requested by a particular PM, this will be incorporated into the vote categorisation process, such that all meetings for that fund will be flagged as a Priority Meeting. As part of the foregoing, the scope for conflicts and abuse in related party transactions is a potentially significant issue. Such concerns can arise in relation to individual transactions or from the number, nature or pattern of them. Alongside appropriate procedures to identify and manage conflicts of interest, the Firm seeks to maintain a robust, independent process for reviewing, approving and monitoring related party transactions (both individual transactions and in aggregate).

### Regional authority for manual vote recommendations

For any voting decision or action to apply to legal entities within an operating region the majority in favour of that decision or action must include that region's Regional Representative on the PWG; in which case the PWG's decision or action in respect of the operating region shall constitute the decision or action of the relevant

Regional Representative. Where consensus still cannot be achieved, the PWG will decide if escalation to the Chair is necessary. For votes escalated to the Chair, the Chair will consider all relevant information and assertions made by the Team, PMs, Analysts and PWG members and recommend a voting outcome. This will be socialised amongst the parties raising the vote. If a consensus cannot be reached and the PWG members cannot agree on a split in vote, such vote will be escalated to the relevant Governance Committee. The Chair does not have the authority to enforce a vote recommendation on the PWG members, who are not permitted to delegate discretion over votes to the Chair. Where the Chair deems a vote to be particularly sensitive, such that to split the vote may have broader impacts e.g., on the reputation of the Firm and/or its clients, the Chair can escalate the vote to the Governance Committees for further input.

### **Independent proxy voting administration**

The proxy administrator applies the Firm's Proxy Voting Rules, which reflect our Guidelines. The Proxy Voting Rules are hard coded into its system to enable the execution of votes through its platform. Consequently, this execution process is independent of the Team other than, where the Proxy Voting Administrator is unable to discern how to apply our policy and refers a vote to the Team for instructions or there is an intervention to override the application of the Proxy Voting Rules per the paths described above. When the Proxy Administrator requires guidance in executing our voting directions or in certain other situations in which we would like to further consider how to vote on a matter, the Proxy Administrator consults with the Team and obtains instructions on how to proceed. For expediency, this is usually in the form of a 'refer' recommendation from the Proxy Administrator on a specific proposal or proposals on an individual company ballot. The Team documents a rationale for Manual Vote Recommendations that are proposed to PMs, Analysts and the PWG for review and approval as set out above.

### **Disclosures – client, public and regulatory**

Our regular reporting to clients includes the publication of our vote record and an annual report on the Firm's voting activities with companies and public policy makers. Our client, public and regulatory proxy voting disclosures are sourced from information maintained by our Proxy Administrator.

### **Record keeping**

The Proxy Administrator holds the official book of record for the Firm's proxy voting (default executed and manual voting). The Proxy Administrator maintains records in compliance with data retention requirements. The Team

maintains a log of those exceptions to default logic voting.

### **Monitoring and reporting**

Reporting is provided at the request of Investment Operations Teams or counterparts. Reports are automatable and deliverable directly from the Proxy Administrator's system. Client specific vote reporting can also be provided.

### **Exceptions / escalations**

Any exception to this Policy must be approved by the Governance Committees prior to executing the exception. Any unapproved exceptions to this Policy should be communicated immediately to the Governance Committees. If there is no consensus among all members of PWG (who have been consulted), and escalation to the Chair and the Governance Committees has not resolved the lack of consensus, on how to vote then the Corporate Governance and Proxy Voting Team will instruct the exercise of the votes as directed by the Regional Representative of the operating region related to those votes.

Governance oversight as well as conflicts of interest management linked to this topic are covered in respective chapters of the Stewardship Policy (see list of contents).

## CHAPTER 4

# Environmental and social practices

A robust approach to managing environmental and social risks and opportunities can support the achievement of sustainable growth and investment returns by helping companies navigate changes in their operating environment, customer preferences, and regulatory landscape. Well-run companies will typically have formal systems to identify, assess and manage material risks and opportunities linked to - among others - environmental and social factors, as well as the impacts of their operations on the environment and society. We recognise that different companies may be at different stages of managing these factors. In line with our clients' investment objectives and where relevant, we will discuss with companies how they consider implementing appropriate environmental and social practices through our engagement activities and monitor companies' progress taking into consideration the requirements of the jurisdictions in which they operate<sup>1</sup>. The practices referenced in this statement build on applicable international standards<sup>2</sup> and industry commitments which vary by country.

### Environmental practices

The following environmental practices can inform how investee companies could manage the environmental risks and opportunities of their operations and supply chains, and which we may discuss during our engagement activities:

- Assessing and managing material risks and opportunities linked to the energy transition, and considering any material social impacts of transition where relevant

- Measuring, reporting and managing greenhouse gas emissions
- Improving energy efficiency and considering renewable energy sourcing practices
- Enhancing the biodiversity support functions of air, land and water resources<sup>3</sup>
- Monitoring and managing adverse impacts on protected habitats and endangered species
- Controlling, treating and, where possible, reducing toxic emissions and effluents into air, water, or land
- Reducing strain on shared freshwater resources by balancing water use with the needs of communities and nature
- Managing risks around deforestation and land degradation, rehabilitating degraded land and protecting soils
- Planning and managing use of and impact on marine resources to ensure long-term sustainability
- Limiting waste, and ensuring disposal that is safe to human health, the environment, and wildlife
- Maintaining contingency plans for preventing and mitigating serious environmental damage from accidents or emergencies

### Social practices

The following social practices can inform how investee companies could manage the social risks and opportunities of their operations and supply chains, and

<sup>1</sup> We will vary our approach to engagement as necessary to ensure compliance with applicable law and/or regulation in relevant jurisdictions.

<sup>2</sup> Among them: the UN's Universal Declaration of Human Rights; UN Guiding Principles on Business and Human Rights; the ILO's International Labour Standards including conventions 29 (forced labour), 138 (minimum wage), and 182 (worst forms of child labour); OECD Guidelines for Multinational Enterprises; Wolfsberg Principles, UN Global Compact, Taskforce on Climate-related Financial Disclosures, CDP, IFC Performance Standards

<sup>3</sup> In line with the Post-2020 Global Biodiversity Framework ambition of "living in harmony with nature" by 2050

which we may discuss during our engagement activities:

- Provision of a healthy and safe work environment
- Ensuring fair employment, including the payment of living wages
- Elimination and prevention of modern slavery as well as forced and child labour
- Respecting rights of freedom of association and collective bargaining, as applicable under local law
- Diversity, equity and inclusion programmes<sup>4</sup>
- Protection of the rights of vulnerable communities, including indigenous peoples
- Formal due diligence frameworks to identify, assess and mitigate significant risks associated with social factors, including effective grievance mechanisms and whistleblowing systems
- Managing conflict risk, and where appropriate, considering how to responsibly disengage where appropriate from operations in regions facing high risk of human rights concerns
- Upholding responsible business conduct, including on issues such as anti-bribery and anti-corruption, anti-money laundering, tax transparency, data privacy and security, responsible marketing and sales, and responsible lobbying activities.

Corporate reporting should include the identification of material environmental and social risks as well as strategies and targets to achieve good practices around their management. This should include a narrative account about how these trends and factors are expected to affect the financial performance and future development of the business. Insights gained through engaging with issuers around implementation of their policy and governance framework and reporting of this nature supports our assessment of issuers' long term economic prospects.

<sup>4</sup> Companies' ability to implement such programmes will be subject to local legal and differing client requirements .

## CHAPTER 5

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# Corporate governance guidelines

The following guidelines apply to Columbia Threadneedle Investments' client accounts to the extent agreed upon and/or permissible including voting on behalf of **reo**® (Responsible Engagement Overlay) service clients, which gives investors access to our overall engagement and proxy voting service offerings.

## Corporate governance guidelines for equities

As an asset management business, we seek to act in the best economic interests of clients when carrying out our investment activities. Our investment clients are retail and institutional investors, including corporate pension funds. Our voting guidelines are applied to all listed equity client portfolios. However, our institutional clients always have the right to determine how we vote their securities. We will always comply with those requests. In addition to these guidelines, general and country-specific voting guidelines are maintained and applied within the voting process. Voting guidelines provide greater detail on resolutions and are drawn directly from these Corporate Governance Guidelines. In executing votes, we may take into account other factors in addition to our voting guidelines, including any discussions we have had with company management, and adjust our vote if we believe the company is acting in the best economic interests of shareholders (and, thus, our clients). We apply our guidelines to client portfolios in a manner that considers our clients' respective investment objectives and best economic interests. This could result in our voting on a matter the same way (or differently) for different clients.

## 1. Overview of key principles and approach

Well governed companies are better positioned to manage risks, identify opportunities, and deliver sustainable growth and returns for our clients. These guidelines establish a consistent philosophy and approach to corporate governance and our exercise of voting rights on behalf of our clients.

The approach is based on our view that sustainable growth and returns are supported by the overarching principles of:

- An empowered and effective board and management team;
- Appropriate checks and balances in company management structures;
- Effective systems of internal control and risk management covering all material risks;
- A commitment to promoting throughout the company a culture of transparency and accountability that is grounded in sound business ethics;
- Compensation policies that reward the creation of long-term shareholder value through the achievement of corporate objectives.

We recognize that such principles may be expressed differently in different markets. Therefore, our voting policies take account of local practices and are applied in a pragmatic fashion that reflects an integrated understanding of local and international good practice. In all cases, we aim to achieve the same result: the preservation and enhancement of long-term shareholder value through management accountability and transparency in reporting. We also recognize that companies and industries are not homogeneous and some variation in governance structures and practice

is to be expected. Achieving best practice in corporate governance involves ongoing dialogue and collaboration between board, management, and shareholders. We encourage companies to engage in the process of shaping and meeting evolving standards of best practice. Although how we vote is guided by a clear set of corporate governance principles and expectations as set out in this document, we approach each company's case on its merits using our expertise, discretion, and dialogue with companies to do so. For this reason, we encourage companies to contact us with information about any governance practices and challenges unique to the company.

## 2. Role, structure and operation of boards

We use the term "board" to describe the board of directors and similar supervisory decision-making bodies. The board is ultimately responsible for the management of the company. This is mainly achieved through the delegation of powers to executive management. The board should receive the report of executive management on the conduct of the business and regularly question management on these matters. However, certain matters should be reserved for the board. The board is responsible for setting and testing strategy proposed by executive management, determining the risk appetite for the business, ensuring the independence and effectiveness of external audit, and for succession planning of both executive management and the board. The structure, composition and operation of boards will vary from country to country and company to company. Certain elements of effective boards are universal, and these are detailed below under the following sub-headings:

- Roles and independence;
- Competence, objectivity and refreshment;
- Effective functioning of boards; and
- Communication and accountability to shareholders.

### Roles and independence

The composition of the board is of the utmost importance. Boards should have meaningful representation of both executive and non-executive directors. Non-executives should be wholly independent of the company, although we recognize that, in certain cases, connected non-executives have a valuable role to play.

### Role of the chair and separation of principal roles

The roles of the chair and chief executive officer (CEO) are substantively different and we have a preference for these being separated. We regard separation of the roles as important for securing a proper balance of authority and responsibility between executive management and the board, as well as preserving accountability within the board. If for any reason the roles are combined (e.g., over an unexpected transitional period) this should be explained and justified in the report and accounts. In all such cases, a strong senior independent non-executive director should be nominated (i.e., a lead independent director).

### Executive directors

Including executives in board meetings is essential to enhance discussion and allow independent directors to gain the fullest understanding of company operations. In markets where this is customary, we encourage the appointment of key executives to the board alongside the CEO and the chief financial officer (CFO). The presence of other executives provides additional company knowledge for the board and ensures the board is not solely dependent on the CEO and CFO for input relating to the company's operations and strategies. However, the number of executive directors should not outweigh the number of independent non-executives.

### Non-executive directors

We assess the number of directorships an individual director holds to ensure they have sufficient time and energy to perform their role as a non-executive director properly as this is a demanding role. Factors that determine the appropriate number of directorships are the size of the company, its complexity, its circumstances, other commitments that a director has and the results of board evaluation, among others. We consider that holding multiple directorships in large companies can be excessive even for a full-time non-executive director, especially when considering board committee participation. More than two outside directorships should be avoided for full-time CEOs. More than five directorships should be avoided for non-executive directors of complex companies, especially in developed markets. Where the number of outside directorships does not align with our expectations, then we may take this into account in determining whether to support the re-election of the relevant directors if we conclude this could impede the ability of the company to deliver long term financial performance for its investors.

### Proportion of non-executive directors on the board

Difficult decisions that center on the best interest of shareholders arise from open and direct interplay between boards and company executives. It is important to have enough independent non-executive directors for an adequate diversity of views. We expect all widely-held companies to have a majority of independent directors. For companies with controlling shareholders, we expect there to be a minimum of one-third of fully independent directors on the board.

### Independence of non-executive directors

Independence of individual directors is valued, but a well-balanced board is valued above all. We will support non-independent directors when they bring skills, sector knowledge and other experience that justify their presence on the board, particularly where the appropriate balance of independence is maintained. The criteria for the independence of directors draw on a variety of standards, including the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance, national corporate governance codes, listing rules, and guidance provided by the International Corporate Governance Network, among others. We favour a principles-based approach, which seeks to ensure that directors can act in the interests of the company and its shareholders. Companies should consider using the corporate governance report or annual shareholder meeting materials to explain the board evaluation process, and to justify the value that non-independent directors bring to the board. For non-executive directors we have the preference for them to:

- Not have close family ties with the company's advisers, directors or senior employees;
- Not serve as a board committee chair if they have served on the board for a period of time that may hinder their independence of thought;
- Not hold cross-directorships or have significant links with other directors (see "Interlocking boards" below);
- Not be major shareholders or representatives of any special interest group, including government representatives in cases of state ownership or representatives of affiliated companies;
- Have no significant commercial involvement with the company as professional advisers, major suppliers or customers;
- Not be entitled to performance-related pay, stock options, pensions, or benefit from large donations to charitable causes of their choice;

- Not normally hold other directorships in companies in a closely-related industry so as to avoid potential conflicts of interest.

### Interlocking boards

We seek to ensure that directors are not only independent from the company, but also of one another. We expect companies to disclose interlocking board relationships and to explain how the independence of individual directors is preserved when directors jointly serve on two or more of the same boards<sup>1</sup>.

### Extensive board service and independence

Prolonged membership on a board jeopardizes independence as directors may become close with management and overly invested in prior strategic decisions. Independence is critical to ensuring shareholders have adequate voice inside the boardroom. After a certain length of board service, directors may not be considered fully independent and it may be inappropriate for such directors to serve on committees, such as the audit committee, where absolute independence is a key requirement. We recognize that there is no fixed time period where a director categorically loses independence. Nonetheless, we will consider a respective country's own regulatory requirement regarding independence where specified. Where the appropriate balance of independence is not met, we may take this into account in determining whether to support the re-election of long-standing directors where we conclude this could impede the ability of the company to deliver long term financial performance for its investors.

### Independence of employee representatives

While a number of countries have legislation mandating a certain percentage of employee representatives on the board, we do not consider these individuals to be fully independent. Hence, we expect companies domiciled in countries with mandatory co-determination (the process by which employees elect their representatives to the board) or employee representation to ensure that the board and its committees have adequate representation of truly independent directors.

<sup>1</sup> Such interlocking relationships can raise concerns when there is an imbalance of power between the two directors.

## Competence, objectivity and renewal

### Competencies and perspectives

A relevant and suitable range of skills and perspective is critical to the quality of the board, the strategic direction of the company, and its ability to generate long term investment performance for investors. We therefore encourage companies to ensure a wide pool of potential candidates for board and management roles to ensure they draw on the richest possible competencies and experiences. In all cases, candidates must be selected for their ability to oversee and enhance the long term-financial performance of the company. Boards should recruit members with the appropriate combination of skills and experience to meet this goal, whilst also considering how a mix of candidates, based on a range of relevant factors such as gender, race, ethnicity, national origin, education, personal experience or professional background may help to improve the board's overall performance by encouraging more effective decision making. As boards cannot be transformed overnight, we look for a statement that sets out the board's approach to advancing an appropriate mix of people at the board, executive management, and company-wide workforce level that can help to enhance, the long term-financial performance of the company. We welcome disclosure of the board's approach to enhancing long-term financial performance through its consideration of the relevant aforementioned factors and subsequent reporting on progress around its implementation. Where disclosure of this nature is absent, without good reason, and we determine that this could impede the ability of the company to deliver long-term financial performance for its investors, we may take that into account in determining whether to support the re-election of nomination committee chairs or other relevant directors. As part of taking any such decision, we will consider any regulatory requirements and regional practices applicable in relevant jurisdictions.

### Re-election of directors

To ensure that it retains an open and critical perspective, the board should be continually refreshed. For this reason, all directors should be required to submit themselves for re-election at regular intervals. We prefer to have all directors standing for annual election to strengthen the accountability of the board to shareholders. Failing that, we encourage the chair of the board, as well as the chairs of the audit, compensation and nomination committees to stand for annual re-election to strengthen accountability for the core functions of the board. We also believe that a

minimum of one-third of board members should stand for election annually.

### Nomination of directors

We believe that a board nominating committee composed of a majority of independent non-executive directors is best placed to identify and put forward suitable candidates for the board. We expect companies to put forward only one candidate for each available position as an indication that the company is clear about the value each director brings to the board. We encourage companies to specify each candidate's qualifications, experiences and skills that are of relevance and importance to the board's oversight of company strategy.

### Balanced composition

Where a nomination committee has not constructed appropriately balanced, independent boards, we may take this into consideration in deciding whether to vote for the election of the chair or members of the nomination committee, where we conclude this could impede the ability of the company to deliver long term financial performance for its investors. Indicators include: an over-reliance on long-standing members; an over-reliance on affiliated directors; and a lack of appropriate diversity characteristics, including gender, race, nationality, ethnicity, etc., that reflect the nature, scope and aspirations of the business.

## Effective functioning of boards

### Board size

In the case of a two-tier board structure, neither board should be large: between five and 10 members typically is appropriate. A unitary board normally should have between five and 15 members. In the case of overly large boards, and in the absence of a commitment to reduce board size, we may consider this in determining whether to support the election of the nominating or corporate governance committee chair if we conclude that this could impede the ability of the company to deliver long-term financial performance for its investors, unless a clear justification has been provided explaining the need for such a large board.

### Two-tier boards

We are agnostic as to the merits of a two-tier board as opposed to a unitary board, and we recognize that a two-tier board structure is the norm in many markets. At the same time, we are aware that there can be challenges in communication between a supervisory board and

a management board. Where there is more than one body forming the board, companies should maintain an effective mechanism for the various elements of the board to work together and should explain how this happens. This system should ensure the most effective use is made of all individuals involved so that the company can optimize the unique skills and experiences of their directors.

### **Board evaluation**

Board evaluations are an important tool for improving board performance. All boards should implement an evaluation process that considers the effectiveness of the entire board, its committees, the contributions made by each member, including its systems for interaction between the board and company management, areas for improvement, and behaviors and overall board culture. The nominating or corporate governance committee may oversee the evaluation process and should report general findings and areas for improvement publicly to shareholders. Large or systemically important companies should leverage professional, independent assistance to facilitate evaluations on a periodic basis (typically every three years).

### **Board meetings & attendance**

The board should meet at regular intervals to ensure effective oversight of the company. We regard six meetings per year as a minimum guidance, and often more frequent meetings are necessary. We also expect directors to attend the annual general meeting (AGM), and to facilitate communication with the shareholders whom they represent. The company should disclose the attendance record of individual directors in the AGM report, as well as mechanisms for shareholders to communicate directly with the board. Where directors have poor attendance records or fail to accommodate ordinary course shareholder dialogue, we may take that into account in determining whether to support the election of directors.

### **Independent and non-executive director (NED) only meetings**

NEDs should meet without executive board members present on a regular basis and when circumstances demand. They should also have at least one meeting per year to hold an unconstrained discussion away from day-to-day business matters. Ideally, this should be chaired by a senior or lead independent director, although the chair may be present (provided they are a non-executive). Conversely, in the case of two-tiered boards, supervisory boards should meet with executives on a regular basis to minimize the risk that NEDs could become marginalized from the business.

### **Training and mentorship**

All directors should receive appropriate training when being onboarded. For example, the onboarding process could include assignment of a board mentor. Mentors are normally long- or medium-standing directors willing to take on the responsibility of providing ad hoc support and context for new directors. All directors should regularly be provided opportunities to attend conferences, classes, or webinars to upskill and remain relevant. Such offerings may be an outcome of the board evaluation process or a request from directors or management directly. We encourage companies to develop regular director training plans.

### **Communication and accountability**

The board should proactively and regularly make itself available for consultation with shareholders. To this end, boards should appoint a senior or lead independent director to fulfil a formal liaison role with key stakeholders. This is most important in cases where the CEO also holds the chair position, has executive responsibilities or was not independent on appointment. Where appropriate, Independent and NEDs should be prepared to discuss matters of strategy, performance, risk, capital structure, standards of operational practice, and oversight of company-specific matters relevant to financially material risks and opportunities.

## **3. Board committees**

We encourage companies to move towards fully independent audit and compensation committees, as well as a nomination committee composed of a majority of independent directors. All board committees should report on their activities annually to shareholders (see section on "Reporting" below).

### **Audit**

The audit committee provides an important safeguard for shareholders and for other stakeholders that rely upon the integrity of the report and accounts as a basis for their investing in the company. The audit committee should consist exclusively of NEDs, all of whom should be independent, and consist of at least three individuals. At least one should have recent and relevant financial, accounting or audit experience, and all audit committee members should be financially literate. The committee should be responsible for assessing the effectiveness, independence, qualifications, expertise and resources of the external auditors (including the quality of audit) and oversee the process of review and issue of the accounts. The audit committee should also be responsible for monitoring and approving related-party transactions and should ensure that any material

related-party transactions do not disadvantage minority shareholders. The audit committee is also responsible for publishing the annual audit report, which is essential for investors to evaluate the overall health of the business (see "Reporting" below). The audit committee report should provide meaningful disclosure on the committee's work and the issues it has addressed. In the event of a significant restatement of accounts or material weakness in internal controls, we may not support the election of members of the audit committee who we consider have not fulfilled their duty to shareholders. We may also take this into account when considering whether to support the election of these directors to the boards of other unrelated companies.

### Compensation

The compensation (or remuneration) committee is responsible for setting the compensation of executive directors and senior executives and should coordinate with the company's human resources function to develop a coherent and effective compensation strategy throughout the company. As a best practice we believe that compensation committees should consist exclusively of independent non-executive directors. We encourage compensation committees to engage in direct dialogue with shareholders when developing compensation policies. (See "4. Compensation" below). The compensation committee must consult with other board functions to ensure that pay mechanisms are well aligned with strategic goals and the company's appetite for risk. In particular, the compensation committee should work with the board and its committees to determine the appropriate balance in the allocation of profits to employees as incentive payment, to shareholders as dividends, and for retention or reinvestment in the business itself. The committee's fiduciary duty is also to ensure that the amount of payment to management is fair and appropriate. Finally, the committee should be attentive to compensation across the company to ensure management is delivering on strategic priorities, especially those that enhance shareholder returns, and managing risk effectively. Where we conclude there are significant concerns with the committee's decision making, or that issues we have identified with pay policies and practices remain unaddressed, we may take this into consideration in determining whether to support the election of the chair and/or members of the compensation committee if we determine such concerns could adversely impact the company's ability to deliver long-term financial performance for shareholders.

### Nomination

A nomination committee should oversee all board and senior executive appointments. Normally it should be a committee of independent non-executive directors and the board chair. In certain instances, it may be appropriate for the committee to leverage management's advice. Although we prefer a fully independent committee, we recognize that a non-independent director or representative of a large shareholder may be appropriate in some circumstances.

### Corporate governance

We recognize that companies may choose to have the nominating committee or a specific corporate governance committee responsible for corporate governance practices and procedures. Regardless of the structure, the committee should monitor emerging regulatory and industry standards, strive to achieve global best practice, and should consult with shareholders to understand investor expectations.

### Corporate responsibility and sustainability

We believe that committees with responsibilities related to oversight of corporate responsibility, ethics or sustainability prudent for purposes of risk management. For example, for large companies that may be exposed to significant such risks, such committees are essential in our view to protecting shareholder value and managing reputational risk.

### Business ethics

Whether it is through a committee such as the audit committee or a general board review, it is important that the board affirm its responsibility for reviewing internal business ethics systems, practices, and processes.

## 4. Compensation

Levels of compensation and other incentives should be designed to promote sustainable, long-term shareholder value creation and reflect the executives' work and contribution to the company. No director should be involved in setting their own compensation. Given the consistent upward trend in total compensation, we expect careful usage and robust justification of benchmarks. We also wish to see comprehensive disclosure of performance targets as well as actual performance against pre-set targets. We expect justification of base pay levels awarded, and that a significant proportion of total compensation be variable and subject to appropriately challenging performance conditions. We do not set guidelines for levels of compensation beyond the principles mentioned below.

### **Level of pay**

We expect boards to demonstrate an understanding of (and sensitivity to) the views and expectations of shareholders and other key stakeholders, such as employees, when setting executive pay.

### **Relationship to strategy and risk**

We expect companies to demonstrate the alignment of their compensation policy with their overall business strategy and planning. Performance metrics should relate to the company's articulated strategy and risk tolerance. Targets should be constructed to align executive incentives to the interests of long-term shareholders and should not create incentives for executives to undertake short-term risks that might imperil sustainable long-term performance. We advocate for risk-related preconditions to bonus awards to ensure inappropriate incentive payments are not awarded in the event the company's financial strength or credit quality deteriorates.

### **Disclosure**

We seek appropriately detailed disclosure of board and management compensation packages. The purpose of the compensation report should not simply be related to compliance, rather it should be to enhance investors' understanding of the committee's practices, processes, and goals around compensation. Following the award of the bonus, companies should provide a meaningful analysis in the compensation report of the extent to which relevant targets were met. The compensation report should be written in plain language and include the tax implications for the company. At a minimum, the compensation of all directors, including all non-executive and executive directors, should be disclosed individually. We look for banded disclosure of those individuals at sub-board level who make a significant contribution to the company.

### **Executive contracts and pensions**

Prior to employment contract agreements, companies should actively consider the potential rewards concerning severance in the event of inadequate performance and clarify the performance conditions under which such severance benefits are to be payable. We encourage companies to seek mitigation in case a director has taken up employment elsewhere and to adjust the length and size of any payments accordingly. We recommend that companies make larger severance packages the subject of a shareholder vote.

### **Share schemes/ share compensation arrangements**

We believe that strict guidelines should be observed regarding the issue, or potential issue, of shares for incentive schemes (also known as equity-based compensation plans) both as to the proportion of shares issued and to the rate at which these are issued each year. For us to accept large share schemes, the commercial drivers must outweigh the dilutive impacts. If the company does not provide sufficient disclosure regarding the details of such schemes, we may take this into consideration in deciding whether or not to vote in favour of them, where we conclude that the operation of such schemes could impede the ability of the company to deliver long-term financial performance for investors.

### **Equity incentive plans**

We support the principle of motivating and rewarding executives through the granting of equity incentives. Performance targets for equity incentive plans should be clearly disclosed and challenging. One-off equity awards should include robust disclosure in the form of justification and procedure (i.e., how the board determined the award). However, overall compensation packages should reflect a range of performance. Generally, we believe executive pay plans should reflect a balance of financial, operational, and relative performance targets. We strongly believe that exceptional performance over a significant period merits an exceptional level of compensation. We oppose retesting of performance conditions and may withhold support of compensation plans where the compensation committee has used its discretion to relax any performance targets previously approved by shareholders.

One-off equity awards should include robust disclosure in the form of justification and procedure (i.e., how the board determined the award). However, frequent use of exceptional awards raises questions over the adequacy of the overall compensation strategy and effectiveness of succession planning. We will take particular care when reviewing equity awards granted for the purposes of recruitment or retention when such awards are not linked to meaningful performance targets. We encourage the inclusion of environmental and social factors in performance bonus payments where they could have a material impact on shareholder returns. We also expect a discussion of the process undertaken by the company to identify the factors it considers relevant to the delivery of long-term shareholder value and why it considers those factors relevant.

### **Holding periods, vesting and malus/clawback policies**

Bonus payments and long-term incentive schemes should be structured to reward long-term growth in

shareholder value and be subject to performance-vesting conditions. We encourage companies to include deferred shares as a portion of short-term bonuses. Longer-term incentive plans should be fully share-based, and vesting periods should extend from at least three to five years or longer. We also encourage companies to require longer-term holding periods post vesting. The compensation committee should maintain a malus authority to withhold all or part of performance-based pay from executives before it has vested in cases where it deems it appropriate. The compensation committee should also have clawback authority to recover sums already paid out to executives. This might occur following a significant restatement of accounts, where previously granted awards were paid on the basis of inaccurate figures, or where the long-term outcomes of a specific strategy result in significant value destruction for shareholders.

### **Employee ownership**

Widespread employee ownership can contribute positively to shareholder value, as it further aligns employees' interests with those of shareholders. Such devices should not, however, be instituted as anti-takeover devices, and should be included within company-wide dilution limits.

## **5. Audit, risk and control**

We recommend that the independent members of the audit committee meet on a regular basis with the company's auditors and without company management. This may enable a better flow of information between auditors and the board.

### **Appointment of auditors**

The auditors' performance and appointment should be reviewed periodically. Where the same firm remains as auditor for a period of time, there should be a policy of regular rotation of the lead audit partner. We believe that systematic rotation of audit firms is both desirable and in the best interests of shareholders. We expect audit quality to be the main consideration in the selection of the auditor and expect that shareholders should be given the opportunity to vote on the appointment and payment of auditors.

### **Auditor liability**

We recognize the disproportionate risk that joint & several liability may place upon audit firms. However, we will only consider supporting arrangements to cap auditor liability in exceptional circumstances (e.g., where the risk of a catastrophic and disproportionate claim can be demonstrated).

### **Fees paid to a company's auditors in addition to audit fees**

Companies should disclose when auditors carry out consultancy work in addition to auditing the company and the audit committee should consider whether there is a risk that an auditor's impartiality may be jeopardized. The range, nature and tendering process for any such non-audit work should be supervised by the audit committee, whose responsibilities in this area should be fully disclosed. We may consider this in deciding whether to support the re-appointment of the auditor or payment of auditor fees when voting at AGMs if we conclude that such fees may act to impede auditor independence.

### **Related-party transactions**

Many companies are involved in material related-party transactions, which represent a significant risk to shareholders. This risk is mitigated in companies with fully independent audit committees whose responsibility it is to ensure that such transactions are conducted on the basis of arm's-length valuations. We strongly encourage companies to use such committees for scrutiny, and to secure prior shareholder approval for material related-party transactions. In the circumstance of continued concerns, we recommend that each company disclose any shareholdings that its controlling shareholders may have in other companies or investment vehicles that have a material interest in the company.

### **Risk management**

The board as a whole is responsible for defining a company's risk tolerance relative to its strategy and operations—it is also responsible for monitoring the company's performance relative to defined risks. Financial, operational, and reputational risks that are relevant to the company's business and performance should be included in this oversight, including material ESG risks. Depending on the size and complexity of the company, a standalone risk management committee may be warranted.

## **6. Shareholder rights**

While the precise nature and scope of shareholder rights vary across jurisdictions and many related aspects of our expectations are touched upon in other parts of these guidelines, a number merit direct mention:

### **Liaison with shareholders**

Board and management teams should be ready, where practicable, to engage in dialogue with shareholders based on an understanding of shared objectives. They should also be proactive in making sure important news

is imparted, subject to appropriate inside information procedures, and should react helpfully to investor inquiries. In investment meetings with shareholders, companies should be prepared to address relevant corporate ESG issues.

### **Issuance of Shares**

We respect a company's right to issue shares to raise capital. However, share issuance should be strictly limited to that which is necessary to maintain business operations and drive company strategy. We will not support requests to increase authorized share capital that exceed 50% of existing capital, unless specific justification has been provided (e.g., to complete a strategically important acquisition or undertake a necessary stock split).

### **Pre-emption Rights**

We believe that pre-emptive rights for existing shareholders are essential. Shares may be issued for cash without pre-emptive rights or for compensation purposes, subject to shareholder approval. Companies should adhere to strict limits for issuing new shares as a proportion of the issued share capital. Furthermore, they should also be subject to flow rates, where appropriate.

### **Share repurchases**

We expect companies to repurchase shares in the market when it is advantageous for the company and its shareholders. Authority to repurchase shares should be subject to shareholder approval.

### **Controlled companies and share classes with differential voting rights**

We favour a share structure that gives all shares equal voting rights. We do not support the issue of shares with impaired or enhanced voting rights. Where differential voting structures exist, this structure should be transparently disclosed to the market. In the case of controlled companies, we will review any request to issue shares with enhanced voting rights to determine why these are necessary and how they will reflect the interests of minority shareholders. We support the principle of one share, one vote, and encourage companies to take steps to eliminate differential voting structures over time or prevent their introduction. Where there are unequal voting rights, we encourage clear and comprehensive disclosure of a timeline regarding the retirement of unequal voting structures (otherwise known as sunset provisions).

### **Voting caps**

We oppose voting caps in principle and believe that all shares should be entitled to full voting rights irrespective of the holding period. However, we recognize the widespread use of voting caps in certain markets, and the benefits accruing to shareholders not subject to a cap. Therefore, at a minimum, we expect companies to clearly disclose any caps and encourage them not to introduce new caps while phasing out existing caps over time.

### **Mergers and acquisitions, spin-offs and other corporate restructuring**

We expect boards to conduct thorough due diligence prior to pursuing any merger or acquisition and to maximize shareholder value in any deal. Where major transactions are not subject to shareholder approval, companies should consider the views of their major shareholders, subject to regulatory constraints and shareholders' policies concerning insiders. We consider the ESG risk implications of any corporate activity as part of the assessment of such activity, particularly in high-impact industries. We also expect the board to evaluate any potential ESG risks or liabilities of any business combination, including supply chains.

### **Poison pills**

We regard artificial devices to deter bids, known as poison pills, as inappropriate and inefficient unless they are strictly controlled and very limited in duration. We believe that any control-enhancing mechanism or poison pill that entrenches management and protects the company from market pressures is not in the interests of shareholders.

### **Pension and other similar significant corporate liabilities**

Companies should be aware of, and report to shareholders on, significant liabilities such as those arising from unfunded or under-funded pension commitments. The extent of the liability should be reported, and the plans put in place to cover the deficit should also be reported within a reasonable timeframe for action. The principal assumptions used in calculating amounts should form part of this disclosure. Other significant liabilities could include – among others – operational risks that the company faces. The company should provide some indication of how these risks could result in "contingent liabilities."

### **Shareholder resolutions**

We consider all shareholder resolutions that appear on the ballot and vote in accordance with our view of the long-term economic benefit to shareholders

taking into account whether such resolutions may be too prescriptive and consequently, could impede a company's management determining how best to operate its business. In considering any shareholder resolutions, we will review company and outside data and information, assess peers for benchmarking and consider the proponents' and company's arguments in full considering local market norms.

## 7. Reporting

Companies should have meaningful and transparent disclosure so that investors can obtain a clear understanding of all important and relevant issues. The annual report should provide a full review of the business model and strategy; key performance indicators used to gauge how the company is progressing against its objectives; principal (material) risks and any significant factors affecting the company's future performance, key achievements; and standards followed during the accounting period. In all markets, we favor reports that are:

- Comprehensive, covering the strategic direction of the business and all material issues, including any significant changes in the regulatory context and key ESG issues;
- Balanced, with even-handed treatment of both good and bad aspects of a company;
- Transparent, with narrative text that leverages plain language, and accounting notes that provide investors with a full understanding of the circumstances underlying the reported figures;
- Underpinned by Key Performance Indicators (KPIs) that drive business performance, are comparable over time, and are supported by detailed information on how they are calculated;
- Consistent and joined-up with other company reporting, including the compensation policy and corporate social responsibility or sustainability reporting.

### Directors

Adequate biographical information on the directors should be provided for shareholders in advance of the AGM. This should include information about directors' qualifications and experience, term of office, date of first appointment, level of independence, board committee memberships and other personal and professional commitments that may influence the quality of their contribution and independence (e.g., other directorships, family and social ties, and affiliations with related

companies or organizations). For all newly appointed directors, we encourage disclosure of qualifications, experiences and skills that are considered by the board to be of relevance and importance to its oversight of company strategy. To this end, we encourage disclosure of a clear and concise board skills matrix in the proxy voting materials and annual report.

### Nomination committee report

The committee should report annually on its activity and the report should provide a detailed discussion of its process for identifying and appointing executive and non-executive directors, including the processes it employs to ensure board membership reflects an appropriate cultural, educational, and professional backgrounds and personal experience. Where necessary, the report should include a thorough discussion of the board's view of the independence of certain members. The report should also include a robust description of the board evaluation process, cadence, and outcomes (including strengths and opportunities identified).

### Audit committee report

The audit committee should report on its conduct during the year and, in particular, any specific matters of judgement relating to the application of accounting principles or the scope of the audit. It should also comment on the process for ensuring the independence of the auditors and for evaluating the impact of non-audit work. The audit committee report should include a narrative description of any related-party transactions, with reference to how these might impact the interests of minority shareholders. Any qualification of the audit statement and all matters raised in the auditor's report must be fully explained. System of internal controls and risk management If the audit committee's remit includes risk management, the audit committee report should also address the board's oversight of enterprise-wide risks. Either as part of the audit committee report or a standalone report, the company should explain the results of the board's review of internal controls, including any identified (or potential) weaknesses in internal controls and how the board plans to respond to these.

### Compensation report

We expect all companies to publish an annual compensation report in line with international good governance standards. Good compensation reporting outlines a company's overall philosophy and its policies and formulas for determining annual, short- and long-term pay. We look for compensation reports to break down fixed versus variable pay and to clearly align total pay packages with long-term shareholder value. The

compensation report should clearly disclose specific long-term performance targets and total potential payouts.

If short-term performance targets cannot be disclosed due to commercial sensitivity, we expect retrospective disclosure of short-term targets and of actual performance against these targets. We recommend that all companies put the compensation report to a shareholder vote and encourage compensation committee members to actively consult their shareholders prior to the AGM.

### Sustainability reporting

We encourage companies to report on any significant ESG risks and opportunities in their annual reports including the systems in place to manage these risks. This may be supported by more detailed disclosure in a separate corporate social responsibility or sustainability report.

### Code of corporate governance

Companies should provide a full and clear statement of all matters relating to the application of the provisions of the relevant national code of corporate governance. The way the provisions are put into effect should be clearly discussed. Any deviations should be supported by meaningful explanations. Code of conduct Companies should maintain a code of conduct reflecting corporate values and promotion of ethical business practices. Such codes should address business-critical compliance issues including anti-corruption practices.

### Reincorporation in a tax or governance haven

To the extent a company has reincorporated in a new legal jurisdiction, we will evaluate all relevant factors that may have an impact on the performance and value of the company in determining whether to support such resolutions. Aggressive tax strategies, even if structured legally, can pose potentially significant reputational and commercial risks for companies. We expect boards to ensure the company's approach to tax policy is both prudent and sustainable. To that end, we therefore expect companies to disclose how the board is providing such oversight. Companies should provide a suitable amount of information for investors to understand their tax practices and associated risks.

### Listings

Companies that are listed on an exchange should comply with the rules and listing requirements of that exchange.

### Shareholder resolutions and access to the proxy statement

Shareholder resolutions represent the exercise of a key shareholder right and may encompass a wide range of issues. We encourage companies to engage in constructive dialogue with shareholders and other key stakeholders. Where engagement is unsuccessful, we may support shareholders' right to submit a shareholder proposal for consideration by all investors. In these instances, companies should behave respectfully by communicating promptly and fully with shareholders while refraining from obstructing the process. The board should provide a full and reasoned response to any shareholder proposal on the ballot. We consider support for shareholder resolutions where the long-term economic benefit to shareholders is evident and taking into account local market norms. We may incorporate into our decision whether a shareholder resolution is binding in nature or advisory (non-binding) in applying the above considerations.

## 8. Social and environmental factors

We evaluate environmental and social proposals, whether advanced by management or shareholders, based on the materiality of the issue to the company and the potential for the specific action requested in the proposals to advance long-term shareholder value. We recognize that some proposals may identify important company risks even if the proposal is poorly constructed. In such cases, we encourage companies to identify, mitigate and report on their respective risk management approach effectively.

Different approaches to environmental, social, and governance proposals are applied across investment portfolios with a specific ESG orientation (such as a Net Zero commitment), in line with the client requirements. This includes our sustainable and responsible fund ranges, all EU SFDR Art 8 and Art 9 funds, all FCA SDR labelled funds, and our **reo**<sup>®</sup> clients.

### Environmental and social management

Companies should determine how financially material environmental and social risks and opportunities are addressed via their core business strategy. As part of this process, companies should proactively identify, assess and manage those risks and opportunities, as well as implement robust sustainability governance frameworks to promote accountability and ensure effective oversight and disclosure. Where we conclude that companies' responses to involvement in significant environmental or social controversies could result in an adverse impact on their ability to deliver long-term

financial performance for investors, we will consider this together with other relevant factors in deciding whether to support management resolutions. We may vote in favor of shareholder resolutions seeking improvements in reporting and/or management of environmental or social practices where we have concerns, acting in the best economic interest of our clients, or improvements are proportionate to the risks faced, and are not so prescriptive as to inhibit the ability of management to run the company's business effectively on a day-to-day basis.

### **Climate change**

We recognize that physical changes to the climate and the global energy transition, present material risks and opportunities to companies across regions and sectors. Where they face material risks, companies should describe how their business strategy incorporates consideration of climate risk and ensure adequate disclosure. Where companies in high-impact sectors fail to provide investment-relevant climate disclosure or do not have a robust climate change risk management strategy, we may support shareholder resolutions which call for improvements, and/or consider voting against certain management resolutions.

A growing number of companies are now producing transition plans and submitting these to shareholders for a vote. We are supportive of transition plans where these help provide investors with clarity on the response of the business to climate risk and opportunity, and how any targets they choose to set will be achieved. We particularly welcome disclosures which include allocation of capex to decarbonisation investments, and key technology and policy dependencies.

### **Biodiversity**

Loss of biodiversity degrades ecosystems which underpin the Earth's ability to provide regulating, provisioning, cultural and supporting ecosystem benefits. For companies in sectors with high biodiversity impact that fail to provide appropriate disclosure (e.g., CDP Water and/or Forests disclosures), we may take this into account in considering whether to support certain management resolutions where we think this could impede the ability of the company to deliver long term shareholder value.

### **Sustainability disclosure**

A company's recognition and management of financially material environmental and social exposures and related disclosures provides shareholders with an additional lens through which to assess the quality, leadership, strategic focus, risk management and operational

standards of practice of the business. Disclosure of material environmental and social risk factors should be included in the annual report. Additional disclosures may be provided to address certain high-risk topics, and/or to meet regulatory requirements and investor expectations, such as Sustainability Reports.

We will consider shareholder resolutions on sustainability disclosure on a case-by-case basis, considering the adequacy of existing disclosure; the materiality of the issue addressed; and the potential cost of providing the disclosure. We may choose to apply a different vote dependent on the fund or client mandate, as described above.

### **Social issues**

Companies may incur risks to their operations, staff, or reputation as a result of social issues, including labor standards, links to human rights abuses, and operations in conflict zones or in locations at risk of human rights abuses. Risks may be encountered in direct operations or via supply chains. Severe human and labour rights issues often affect the most vulnerable communities and can represent a threat to reputational and operational corporate performance.

Where there is cause for concern, we will consider supporting shareholder resolutions asking companies to develop and implement policies and management systems addressing human rights and security management, using relevant international or industry standards.

### **Political and charitable donations**

Charitable and political donations should be consistent with the company's stated strategy. (See "Reporting" above). We recommend that the board provide ultimate oversight for political donations and related activity. Furthermore, we believe that companies that undertake charitable giving should have transparent policies and undertake charitable giving programs with due regard for the interests of shareholders and key stakeholders.

## **9. Voting matters**

### **Annual general meetings**

We encourage the holding of physical annual meetings of the shareholders that are supplemented with a robust and accessible virtual (or hybrid) option. If the company decides to provide a hybrid meeting, shareholders joining virtually should be provided the same treatment and transparency as those attending in person.

<sup>2</sup> See vote disclosure webpage.

### **Vote disclosure**

We expect companies to disclose the voting results of their general meetings, both at the meeting and on their websites. This should include a detailed breakdown of votes for and against, as well as abstentions. In the spirit of transparency, we also make available to both our institutional and retail fund customers, as well as to the public, a comprehensive record of our voting by publishing all our votes on our website<sup>2</sup>. A summary of our voting statistics can be found in our annual Stewardship report.

### **Shareblocking**

We believe that shareblocking—the practice of preventing shares from being transferred for a fixed period prior to the vote at a company meeting—discourages shareholder participation and should be replaced with a record date. Where shareblocking exists, we will follow client policy and may be prevented from voting because of concerns about failed trade settlements and extraordinary cost to clients.

### **Electronic voting and of use proxy advisory services**

We typically exercise voting rights electronically. We currently vote using an electronic voting platform provided by a third-party voting service provider. We do not adopt or follow any third-party voting service providers' vote recommendations, except as provided for in our Conflicts of Interest Policy or if instructed by clients. Instead, the third-party voting service provider assists us through pre-populating our vote instructions in accordance with our vote policies. Our Corporate Governance and Proxy Voting teams review a proportion of meetings based on an internal prioritization model to ensure all votes are cast in adherence to our policies.

### **Position on abstentions**

Our standard voting approach is to either vote for or against resolutions where these options are available to shareholders. However, there are cases where we consider abstaining to be appropriate—for example, where company practices have improved significantly but do not fully meet our expectations. With respect to shareholder resolutions, we may abstain in cases where we agree with the broader issue highlighted but do not agree with the way in which the resolution prescribes change, or the resolution is consistent with local market norms.

### **Additional soliciting materials**

If we become aware that an issuer has filed additional soliciting materials prior to a proxy vote submission deadline, then we endeavor to review and reflect those

in the application of our voting policy where: (a) the submission is published at least five days prior to our earliest client vote cut-off; and (b) the enclosed information is considered to be material towards impacting our voting position.

### **Stocklending**

We observe that stock lending is a widespread market practice involving the sale and contractually pre-agreed repurchase of a stock. We believe that stock lending is an important factor in preserving the liquidity of markets and in facilitating hedging strategies; it can also provide investors with a significant additional return on their investments as the sale repurchase transaction may include a profit margin. Importantly, however, if the term of the instrument coincides with an annual or extraordinary general meeting, the transfer of the voting right impairs the ability of the underlying shareowner to exercise their voting rights. The balance struck between stock lending and voting remains a matter for individual decision-making by clients.

### **Record dates**

We recommend that a record date be set a maximum of five working days prior to AGMs for custodians and registrars to clearly establish those shareholders eligible to vote. This will give time for all relevant formalities to be completed and serves the same purpose as shareblocking without the disruptions noted above.

### **Voting systems**

All companies should conduct voting by poll, rather than relying on a show of hands. We believe that shareholders have the right to appoint any reasonable person as proxy to vote their shares, either in person or electronically. We encourage the introduction of electronic voting systems that are accurate and provide an effective audit trail of votes cast.

### **Bundled resolutions**

Resolutions put to company meetings should cover single issues, or issues that are clearly interdependent. Any other practice potentially reduces the value of votes and can lead to opposition to otherwise acceptable proposals. We will normally oppose resolutions that contain such inappropriately bundled provisions.

### **Any other business**

We expect to vote on resolutions where the content has been made clear to shareholders and is in the interests of the company and its shareholders. Where a resolution invites shareholders to vote on "any other business," we will systematically vote against.

### Political and charitable donations

We welcome the opportunity to vote on company donations if material. With respect to donations to political parties or to organizations closely associated with political parties, we believe the board is best positioned to oversee the appropriateness of such spending and should review as often as is necessary to ensure congruency with both corporate strategy and values.

### Amendments to Articles

We are generally unsupportive of amendments to the articles of incorporation which limits the liability of company officers.

Governance oversight as well as conflicts of interest management linked to this topic are covered in respective chapters of the Stewardship Policy (see list of contents).

## Corporate governance guidelines for corporate debt

In most companies and in most sectors, debt forms a core part of a company's long-term permanent capital. This is particularly true in the case of financial institutions and many utilities. In this context, a company's providers of debt capital share a similar exposure to long-term material risks as its shareholders. However, while creditors are theoretically more protected from financial problems than shareholders, both are affected by a company's ability to generate long-term operating profits and cash flows to allow for debt service, dividend payments and capital appreciation. Financial, operational, and reputational risks relating to ESG factors can affect a company's ability to generate stable cash flows to honor its financial obligations. Indeed, there is a clear convergence among corporate creditors and shareholders on many issues affecting a company's management of risks relating to its performance. It is also worth noting that compared to equity investors, creditors have relatively more limited upside potential in investment returns, as income is fixed, not variable. This can cause creditors to be relatively risk-averse and focus on companies avoiding the downside – namely the possibility that their financial contracts will not be honored. In this regard, robust identification and management of material ESG risks is a form of enterprise risk management that serves to promote the long-term stability of the company and ultimately protect creditor interests, including the value, performance, and liquidity of fixed income portfolios.

### What we expect from bond issuers

As an investor in bonds and other forms of corporate debt instruments, we expect debt issuers to conduct their business in a way that protects creditor interests. This includes showing proper respect for shareholder interests, as a sustainable company must maintain access to both equity and debt capital. Our fixed income engagement focuses on those aspects of governance that reflect a company's overall risk profile, a key concern for creditors. These include:

- 1. Clarity on financial policy.** Companies should be transparent to both creditors and shareholders regarding their financial policies. Particularly with regard to creditors, a company's reporting should include a policy statement on the use of debt and the level of credit quality the company wishes to utilize. It may be appropriate for a company to pursue a higher-risk strategy involving debt finance. This strategy, however, should be clear to both existing and prospective debt investors so that it can be reflected both in pricing and the fundamental investment decision.
- 2. Risk management.** The company's risk management and risk governance are fundamental concerns for both creditors and shareholders. This not only relates to basic internal controls, but also to risk management in the broadest enterprise-wide context – incorporating financial, operational and reputational factors. In this context, ESG factors can present significant risks to the company and its investors.
- 3. Board effectiveness.** Bondholders want boards to be aware of creditors' interests and to demonstrate appropriate regard for maintaining and building the long-term financial health of the company. Creditors also want strong and effective boards that are able to oversee company management and provide appropriate checks and balances to prevent abuse.
- 4. Audit process.** A particular focus of creditors is a robust audit process, including an independent audit, appropriate accounting policies and high standards of transparency and disclosure in financial reporting.
- 5. Compensation.** Performance metrics reflecting a company's own financial strength and stability can (and should) be reflected in company incentive structures. Such metrics may include relevant ESG metrics and feature as a component of a balanced scorecard guiding annual bonus awards.

Governance oversight as well as conflicts of interest management linked to this topic are covered in respective chapters of the Stewardship Policy (see list of contents).

## CHAPTER 6

# Conflicts of interest – engagement & voting

We seek to act in the best interests of our clients in our investment management business. We recognise conflicts of interest may arise in our investment activities and any services we provide including our engagement and voting activities. We seek to identify and then prevent and/or manage conflicts to serve our clients' best interests.

Here we outline how we deal with certain potential conflicts related to our voting and engagement activities. This chapter does not represent a complete list of all potential conflicts relating to our voting and engagement; rather it sits alongside our wider conflicts of interest policies referenced below under which all potential and actual conflicts of interest identified are monitored, managed and/or mitigated across the organisation.

From time to time, we may need to adjust our approach to dealing with conflicts from that outlined below to deal with the issues raised by a particular set of circumstances.

## Conflicts of interest - Engagement

### Engaging an issuer who is also a client

We may engage with an investee issuer where the issuer (or a related party such as a sponsored pension scheme) is also a client. Potential conflicts of interest arise if the engagement objective or outline engagement expectation is not in line with the issuer's preferred practices. We treat all our clients equally in our engagement activities. We do not alter our position due to a business relationship that an issuer may have with us or any other part of the wider Ameriprise Financial, Inc. group (for example as a client, service provider, or counterparty) although we may collaborate with other business areas within Columbia Threadneedle Investments or the wider Ameriprise Financial, Inc. as part of the effective management of any potential conflict

arising because of such a business relationship. Unless an institutional client instructs us otherwise, we apply our ESG guidelines<sup>1</sup> to all client portfolios in a manner that considers our clients' respective investment objectives and best interests. The engagement program is defined by the prioritisation outlined in the Engagement section of the Stewardship Policy above.

### Engagement of an issuer involving an Officer, Director or Employee of Ameriprise Financial, Inc. or any of its subsidiaries ("Officer, Director, or Employee")

We may engage with an issuer where an Officer, Director or Employee serves on the board of that issuer. Potential conflicts of interest arise if the issuer's interests differ from those of Columbia Threadneedle Investments. We manage this conflict by applying this and other Columbia Threadneedle Investment policies specifically relating to Officers, Directors, or Employees with relationships with companies. For example, Columbia Threadneedle Investment's Global Policy – Outside Activities and Family Relationship requires our employees to declare and disclose their outside business interests. We also may determine that it is inappropriate for such employees to have any involvement the engagement with certain companies in which our clients invest.

### Engagement to favour one client over another

Potential conflicts of interest could arise where we engage with an issuer on a matter with a potential outcome that favours one client over another; for example, because they are larger in terms of their AuM that we manage, or service as part of **reo**®. We manage this conflict by treating all clients equally in our stewardship activities. In particular:

- Unless an institutional client instructs us otherwise, we apply our ESG guidelines to all client portfolios in a manner that considers our clients' respective

<sup>1</sup> Including: applicable RI investment policies and the full Stewardship Policy as set out in this document.

investment objectives and best interests. This could result in our acting on a matter the same or different way for various clients.

- For the annual **reo**<sup>®</sup> client consultation, all clients, independent from their AuM, have one vote on prioritisation of issuers and thematic engagement projects.
- Information gained from engagement activity (statistics and narrative on Objectives, engagement activity, milestones, case studies) is shared equally with clients in each service category with some clients signing up to a level of service that includes more granular reporting.

#### **Engagement to favour one Analyst or Portfolio Manager over another:**

Potential conflicts of interest could arise within or between teams of analysts and portfolio managers, if one of their representatives conducts an engagement alone with an issuer. This could lead to an imbalance of access to issuer meetings and the sharing of information, and compromised client reporting. Different asset classes and different strategies may also need to follow different engagement objectives and engagement prioritisation.

We manage this potential conflict by having a global shared calendar, with all teams having information about upcoming issuer meetings in their calendar, including the option to join. In addition, regular exchanges between analysts and portfolio managers take place to understand and align on respective engagement efforts (scope, Objectives, status etc). The relevant internal investment committees serve as an escalation point in case prioritisation diverges between any of the parties involved. We seek to treat all clients equally in our engagement activities.

## **Conflicts of interest - Voting**

### **Voting the meeting of an issuer who is also a client**

We may vote at the shareholder meeting, of an investee issuer where the issuer (or a related party such as a sponsored pension scheme) is also a client. We treat all our clients equally in our proxy voting activities. We do not alter our position due to a business relationship that an issuer may have with us or any other part of the wider Ameriprise Financial, Inc. group although we may collaborate with other business areas (for example as a client, service provider, or counterparty) within Columbia Threadneedle Investments or the wider Ameriprise Financial, Inc. as part of the effective management of any potential conflict arising because of such a business relationship. Unless an institutional client instructs us otherwise, we apply our Corporate Governance

Guidelines<sup>1</sup> to all client portfolios in a manner that considers our clients' respective investment objectives and best interests. Columbia Threadneedle Investment's Corporate Governance and Proxy Voting process and policy are developed and executed by the Team with input from internal sustainable and fundamental research analysts, the RI team and portfolio managers, who maintain the ability to request overrides over the standard votes cast in relation to their fund holdings through our Proxy Voting Working Group. Our Corporate Governance Guidelines (chapter 5 of the Stewardship Policy) provide further detail on our stance around corporate governance best practice.

### **Proxy Voting of an issuer involving an Officer, Director or Employee of Ameriprise Financial, Inc. or any of its subsidiaries ("Officer, Director, or Employee")**

We may maintain a proxy voting position in an issuer where an Officer, Director or Employee serves on the board of that issuer. We manage this conflict by ensuring that all such votes are always instructed by following the automated vote submission from the proxy voting service provider which explicitly follows their own Corporate Governance Guidelines. Additionally, we apply this and other Columbia Threadneedle Investment policies specifically relating to Officers, Directors, or Employees with relationships with investee companies. For example, Columbia Threadneedle Investment's Global Policy – Outside Activities and Family Relationships requires our employees to declare and disclose their outside business interests.

### **Proxy Voting to favour one client over another**

Potential conflicts of interest could arise where we vote at an issuer on a matter with a potential outcome that favours one client over another; for example, because they are larger in terms of their AuM that we manage, or service as part of **reo**<sup>®</sup>. We manage this conflict by treating all clients equally in our Proxy Voting activities. In particular:

- Unless an institutional client instructs us otherwise, we apply our Corporate Governance Guidelines to all client portfolios in a manner that considers our clients' respective investment objectives and best interests. This could result in our voting on a matter in the same or a different way for various clients.
- Clients also can provide us with written instruction on how to vote specific meetings.

### **Proxy Voting to favour one Proxy Voting and Corporate Governance (“PV and CG”) Analyst or Portfolio Manager or Fundamental Research Analyst over Another:**

Potential conflicts of interest could arise within or between teams of PV and CG analysts, portfolio managers or fundamental and sustainable research analysts, where there is a lack of consensus on how to vote specific proposals at a shareholder meeting. We manage this potential conflict through our Proxy Voting framework, whereby conflicts may be escalated to the Proxy Voting Working Group, for resolution and, if necessary, ultimately to the relevant regional internal investment committee. More detail on this is provided in the Proxy Voting process. The Team also notifies all portfolio managers and fundamental and sustainable research analysts of upcoming meetings that require a vote, in accordance with our prioritisation process, whereby concerns over specific vote directions can be raised to the PV and CG team for further analysis. Regular exchanges between fundamental and sustainable research analysts, portfolio managers and the PV and CG team take place to understand and align on respective proxy voting efforts. The internal consultation process allows divergent views to be considered but does not occur at the expense of the best interests of our clients. We seek to treat all clients equally in our proxy voting activities.

### **Proxy Voting where personal relationships might present a conflict**

Potential conflicts of interest could arise if a senior executive at an issuer uses a personal relationship with a counterpart at Columbia Threadneedle Investments to influence a particular vote outcome. For issuers that are part of the conflicts list maintained by Compliance, this risk is mitigated as it is impossible for a vote recommendation from a third-party proxy voting service provider to be overridden under applicable policy. For all other issuers portfolio managers have ultimate responsibility to vote in their clients’ best interests and to identify and avoid or manage effectively any conflicts of interest. Parties within the proxy voting process, including PV and CG Teams, as well as Compliance and Legal representatives are trained in spotting conflicts and escalating to their senior management and via governance committees for resolution and policy adherence, if necessary.

### **Other conflict management tools in Stewardship:**

- **Our Team:** We have a team of ESG experts – sustainable research, corporate governance and proxy voting analysts - who work alongside the fundamental research and portfolio management teams. The Team leads the implementation of our stewardship guidelines and undertakes engagement activities, voting as well as research and analysis. The Team is part of the Global Research function, reporting into the Global Head of Research.
- **Oversight:** The relevant internal investment committees oversee this stewardship policy to ensure Columbia Threadneedle Investment effectively addresses conflicts of interests for engagement and voting. Our Compliance department and internal audit function, as well as, where applicable, our investment fund boards, may also periodically review our compliance with this policy.
- **Our compliance and data protection systems:** We have strict firewalls to keep client holdings data confidential and always protected, separating holdings of clients with managed portfolios from those of clients who subscribe only to our **reo**® services.
- **Proxy Administrator conflicts:** We seek to avoid conflicts that our Proxy Administrator or proxy research provider might have by developing and operating our own custom voting policy and guidelines, having access to more than one voting research provider as well as relying on our own research produced by the fundamental research team, as well as support from our specialised corporate governance and proxy voting teams.
- **Transparency and disclosure:** We seek to uphold high standards in transparency and disclosure to enable clients and broader stakeholders to review our effectiveness in managing conflicts. Our regular reporting to clients includes both our public vote record and our annual Stewardship Code report on Columbia Threadneedle Investment’s activities with issuers and public policy makers.
- **Conflicts of interest policy:** Columbia Threadneedle Investment maintains wider conflicts of interest policies under which all potential and actual conflicts of interest identified are monitored, managed and/or mitigated.

Governance oversight linked to this topic is covered in the respective chapter of the Stewardship Policy (see list of contents).

## **CHAPTER 7**

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# Governance and Oversight

The Stewardship Policy is reviewed annually by the Responsible Investment team, Global Head of Research, subject matter experts linked to stewardship (engagement, voting, conflicts of interest), the General Counsel's Organisation (GCO) and other relevant stakeholders, including Investment teams.

The internal Governance Committees approve any updates to policy and its underlying principles and processes.

## CHAPTER 8

# Glossary

| Term   | Definition for this policy  |
|--|---|
| Corporate Governance Guidelines (“Guidelines”) | The Firm’s publicly disclosed corporate governance guidelines.  |
| Firm   | Columbia Threadneedle Investments, and all its legal entities – unless stated otherwise   |
| Governance Committees                          | the IMC- Investment Management Committee (EMEA), IOC- Investment Oversight Committee (NA)   |
| Investment Operations Teams                    | Any business unit outside of the Team that has direct or indirect links to proxy voting requirements e.g., fund accounting teams.   |
| Manual Vote Recommendations                    | A proxy vote instruction that is against management, as recommended to PMs, Analysts and PWG members, by the Team as appropriate.   |
| Proxy Administrator                            | The proxy voting service provider appointed to provide proxy voting administrator services to the Firm.   |
| Proxy Voting Rules                             | The specific voting rule developed by the Team, derived from the Corporate Governance Guidelines, and coded into the Proxy Administrator’s system for execution purposes.               |
| Proxy Voting Working Group (PWG)               | The group of individuals from the Firm, including Regional Representatives whose responsibilities are set out in the PWG Mandate.   |
| Regional Representative                        | Individual(s) authorized by all operating regions to act as the legal entities’ representative on the PWG.  |
| Sustainable Research analysts                  | Reporting into Global Research – are made up of individuals covering dedicated sustainable research themes, and engaging issuers on those themes.                                       |
| Corporate Governance and Proxy Voting team     | Reporting into Global Research – are made up of individuals with corporate governance knowledge who are responsible for the analysis, engagement and instruction of the Firm’s proxies. |
| ESG desk analysts                              | ESG analysts that sit with investment desk teams across equities, fixed income, and real estate with reporting lines into portfolio managers of the respective teams.                   |

To find out more, visit [columbiathreadneedle.com](https://columbiathreadneedle.com)