



Voting Policy Proprietary Investments



**NN investment
partners**

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1. Introduction

NN Investment Partners (formerly known as ING Investment Management International and hereafter referred to as NN IP) is part of NN Group N.V. (hereafter: NN Group), a publicly traded Dutch corporation. As an international (life)insurer and asset manager, NN Group is a significant “long-term” global institutional investor that manages assets for the account of clients worldwide as well as for its own account in a responsible manner in a large number of countries, industries and companies. NN IP is the main business unit within NN Group for asset management activities. NN IP uses several legal entities for the purpose of asset management (including fund management).

Assets are managed for the account of clients as well as for NN Group’s own account. Client Assets include assets that belong to individual and institutional third party investors as well as the assets of mutual funds managed by NN IP. The assets that are managed for NN Group’s own account, also referred to as Proprietary Assets, comprise those assets that belong to NN Group, among others in the context of insurance obligations and own capital of NN Group. For the purpose of this policy, assets held for unit linked products as well as for separated account investment contracts are defined as Client Assets.

NN Group has adopted a high level Global Voting Policy as part of its Responsible Investment Policy Framework to set basic best practice standards for all proxy voting by asset managers within NN Group. Different NN IP units may have their own policies and procedures, taking into account the high level principles of the Global Voting Policy and the local regulations and standards. The high level principles are incorporated in this document and will be adhered to except where inconsistent with applicable laws and regulations or with specific client instructions.

In general NN IP does not have the intention to participate directly or indirectly in the management of investee companies, but it will make use of its shareholders’ rights, including the exercise of voting rights. Active ownership is one of the pillars of our responsible investment approach; it means that we recognize the value of exercising voting rights and of dialogue and engagement with investee companies. We believe that active ownership contributes to good corporate governance and thereby enhances “long-term” value of the investee company over time.

We also believe that environmental, social and corporate governance (ESG) factors have the potential to influence the financial performance of individual companies. Companies that maintain high standards of corporate governance and corporate responsibility will tend to deliver long-term shareholder value over time. Consideration of ESG aspects in the investment process will therefore result in more informed investment decisions and better optimization of the risk/return profile of investment

portfolios. Furthermore, through active ownership practices, we address ESG issues at stake and promote positive changes in corporate behavior. We believe that exercising our rights as shareholders in the companies we are invested in, contributes to the goal of providing an optimal return on investments. NN IP recognizes that rights inherent in stock ownership, including the right to vote proxies, are assets, just as the economic investment represented by the shares themselves are assets.

This document describes the framework that NN IP uses when exercising voting rights attached to Proprietary Assets at shareholder meetings or via proxy voting. This corporate governance and voting policy provides a generic overview of the corporate governance issues we as an organization believe to be of importance.

While voting decisions are primarily based on investment considerations, all the different relationships of NN Group’s businesses with investee companies may be taken into consideration when voting for Proprietary Assets.

This policy and resulting activities are focused on protecting and enhancing the economic value of the companies we are invested in. Apart from exercising voting rights at shareholder meetings or via proxy voting, we also have a regular dialogue with management or board members of investee companies on among others financial reporting, risk management in the context of the business strategy and corporate governance matters.

The dialogue with directors of investee companies helps to improve our understanding of a company’s corporate governance structures, but at the same time enables us to address concerns regarding the company’s environmental, social and corporate governance practices.

NN IP has decided to base its corporate governance and Voting Policy Proprietary Investments on generally accepted best practices. These best practices are among others reflected in the OECD Principles of Corporate Governance and the ICGN Global Governance Principles (revised in 2014). While we believe that there are some overarching principles of corporate governance that apply globally, we recognize that corporate governance practices vary internationally.

NN IP has access to the research and voting advice provided by the proxy research provider ISS, but the Voting Committee Proprietary Investments (hereafter: VCPI), tasked with voting on Proprietary Assets, will form its own judgment and decide at its own discretion and in accordance with this voting policy and its Regulations how votes are to be cast in order to ensure that all votes cast are in line with what is considered to be in the best interest of NN Group. For that reason the voting rights of Proprietary Assets are exercised on a case-by-case basis,

taking into account the principles and best practices as discussed hereafter in this policy document. Deviating from this policy is allowed if doing so would best serve the interests of NN Group.

In the event that a difference of opinion arises with one of our investee companies about issues that we deem critical for the company's success, both financial and non-financial in nature, we will consider the following options:

- Writing a letter to the management and /or supervisory board in which the matters of concern are raised;
- Holding additional meetings with the management and/or supervisory board, specifically to discuss matters of concern;
- Expressing concerns in a shareholders' meeting;
- Vote against relevant agenda items;
- Vote for a shareholder proposal;
- Table a shareholder proposal;
- Issuing a public statement;
- Intervening jointly with other institutional investors on specific issues;
- Selling the shares.

2. Managing conflicts of interest

NN IP manages Client Assets as well as Proprietary Assets. NN IP will cast votes in a way that best serves the beneficial owner of the assets. NN IP has set up two voting committees, a proxy voting committee which is tasked with voting on Client Assets and a separate voting committee responsible for voting on Proprietary Assets (VCPI). When voting for Proprietary Assets, VCPI may take into consideration all the different relationships of NN Group's businesses with the investee companies. In connection herewith, NN Group and NN IP will maintain adequate procedures to address any conflicts of interest with regard to Proprietary Assets. This may imply the decision to refrain from exercising voting rights attached to Proprietary Assets if considered appropriate.

Client Assets will only be voted in the exclusive interest of the clients, without taking into consideration the interest of NN Group's businesses and in accordance with the Voting Policy Client Assets. NN IP maintains Information Barriers between the management of Proprietary Assets and Client Assets. As a result thereof we maintain adequate Information Barriers between the two voting committees; therefore NN IP may cast different votes on a single voting issue. This procedure will enable us to prevent and manage any conflicts of interest and allows us to serve the best interest of our third party clients as well as the best interest of NN Group's businesses.

In limited circumstances, and based on a contractual agreement, it may be that Client Assets are managed by the investment team responsible for managing the assets for NN Group's own account. If a situation like this occurs, the voting rights of such Client Assets will also be exercised by the VCPI. This procedure ensures that the Information Barriers between Client Assets and Proprietary Assets are maintained.

3. Underlying principles of the Voting Policy Proprietary Investments

Shareholders expect to have appropriate rights to ensure that boards are accountable for their actions. The exercise of ownership rights by all shareholders should be facilitated, including giving shareholders timely and adequate notice of all matters proposed for shareholder vote.

At the same time NN IP recognizes that shareholders also have some responsibilities and should act in a responsible way aligned with the company's objective of "long-term" value creation. NN IP analyses and, wherever practicable, influences governance risks and opportunities at investee companies for the benefit of the beneficial owner.

The fact that NN IP in its role as shareholder has rights as well as responsibilities towards investee companies is reflected in the following principles:

Principles followed by NN IP as asset manager of Proprietary Assets

1. NN IP will exercise the voting rights attached to the Proprietary Assets it manages, unless exercising these rights is not in the interest of the beneficial owner of the assets or of NN Group as a whole or is not allowed under applicable laws and regulations. In case of disproportionate costs or impracticability NN IP may decide and NN Group (insurance subsidiaries) may instruct NN IP to refrain from exercising the voting rights.
2. NN IP will vote in a way that best serves the interests of the beneficial owner of the assets. NN IP may take into consideration all the different relationships of NN Group businesses with investee companies. This may include deviating from this policy, if doing so would best serve the interests of NN Group as a whole.
3. Where appropriate NN IP will enter into a dialogue/ engagement with investee companies in order to discuss corporate governance and sustainability issues that are considered critical for the "long-term" success of the investee company. NN IP is committed to use its influence to encourage companies in which it invests to adopt ESG practices it deems appropriate for them to comply with.
4. NN IP will report on its website on a periodic basis - at least quarterly - about the execution of its voting rights.

Principles we expect the investee companies to respect

1. All shareholders should be given the opportunity to participate effectively, and on an informed basis, in shareholder meetings. The exercise of ownership rights by all shareholders should be facilitated, including giving shareholders timely and adequate notice of all matters proposed for a shareholder vote.
2. Investee companies should maintain transparency in their organization and decision-making procedures, their business model, strategy and risk appetite and disclose information necessary to enable shareholders to make an informed decision on voting issues and on whether to buy, hold, or sell a security issued by the company.
3. NN IP expects investee companies to comply with generally and internationally accepted corporate governance best practices and standards as well as the corporate governance standards that are applicable in their country of domicile.
4. Investee company management should always be accountable to the shareholders. Both management/ executive directors and supervisory board/non-executive directors should base their decisions on the "long-term" interests of the company and its shareholders.
5. Merger and acquisition proposals should be considered in the interest of enhancing long-term shareholder value.
6. To ensure long-term performance for the shareholders, investee companies should act responsibly to all stakeholders. This includes recognition of the impact of business decisions on the environment, as well as recognition of the impact of their business decisions on social and human rights issues in the regions in which they do business.
7. The interests of management should be aligned with the long-term interests of the company and its shareholders, also when it comes to executive compensation.

4. Voting policy for specific agenda items

The voting policy set out in this chapter applies to the Proprietary Assets that are managed by NN IP and in exceptional cases where Client Assets' votes were to be cast by the VCPI. The voting policy serves as a guideline for VCPI when exercising voting rights at shareholder meetings and in dialogues with investee companies. While recognizing that accepted standards of corporate governance differ between markets we believe that there are sufficient common threads globally to identify an overarching set of principles. The primary objective of our corporate governance activities is the protection and enhancement of NN Groups' own investments in public corporations. Thus, these principles focus on practices and structures that we consider to be supportive of sustainable "long-term" value creation.

This section describes NN IP's policies regarding the proposals that generally appear on the agenda of shareholder meetings across most of the markets in which we invest. These proposals are divided in seven key themes:

- Audit related agenda items
- Boards and directors related agenda items
- Remuneration and benefits related agenda items
- Capital structure, asset sales, mergers and acquisitions and other special transactions
- Proposed changes to statutes, bylaws and legal structure of the company
- Anti-takeover defence mechanisms
- Social, ethical and environmental issues.

4.1 Audit

The annual report and accounts are the most important source of information for investors to gain a clear picture of a company's performance. Therefore it is important for investors to be able to rely on the quality, expertise and integrity of the external auditor. The annual audit carried out on behalf of shareholders is an essential part of the checks and balances required at a company. It is the responsibility of the auditors to provide an independent and objective opinion that the financial statements fairly represent the financial position and performance of the company in all material respects.

For investors it is of utmost importance to get a clear picture of the company's expectations regarding future developments and the risks involved. We expect our investee companies to disclose information necessary to enable shareholders to make an informed decision on whether to buy, hold or sell a security issued by the company. NN IP expects that companies provide meaningful information in their annual reports about factors that potentially have an impact on management, risk profile and risk management of the company. Information on strategic risks relating to environmental

and social matters, and the major operational risks inherent in the business model and the strategy for implementing that business model should be included in their annual reports. The approval of the annual report and accounts as well as the appointment of the auditor and the proposal by the board to approve the auditor's remuneration, are standard items on the agenda in most jurisdictions.

Voting considerations for annual report and accounts

NN IP will generally vote in favor of the annual report and accounts. Reasons for not supporting a company's annual report and accounts may include, but are not limited to, the following:

- The company has not published the annual report and accounts at the time of voting.
- There are concerns about the accounts presented and/or audit procedures used. This may for instance be the case if the auditor discloses material irregularities or problems with the company's finances. Under these circumstances the auditor may refrain from issuing an unqualified audit opinion on the annual results or the relevant audit procedures. Another example would be a material restatement of the accounts.

We expect to see appropriate prominence given to risk management in the annual report, and in particular a focus on risk in the context of the business strategy. We expect to find considerations with respect to the review of the company's risk management and internal control systems. Companies should consider the broader strategic risks, including environmental, social and reputational risks their business faces. Lack hereof may result in a vote against discharge of executive and non-executive directors in markets where a vote against the adoption of the report and accounts may result in inability to distribute dividend.

Voting considerations for appointment of auditors and auditor compensation

NN IP generally supports proposals to ratify auditors and/or proposals authorizing the board to fix auditor fees. We may consider not supporting the ratification of auditors and auditor compensation in certain circumstances, including but not limited to the following situations:

- There is serious doubt as to the independence and quality of the auditor selection procedure by the (supervisory) board.
- There are serious concerns about the procedures used by the external auditor.
- There are other relationships or issues of concern with the auditor that might suggest a conflict between the interest of the auditor and the interests of shareholders (e.g. when the auditor besides auditing accounts also gives tax advice).
- Audit fees added to audit-related fees total less than two-thirds of total fees paid to the auditor.

- The company is changing auditors as a result of disagreement between the company and the auditor on a matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures.
- The auditors are being changed without explanation.
- The name of the proposed auditor has not been published.
- The appointment carries excessive restrictions regarding the legal liability of the auditor.

4.2 Boards and directors

We are of the opinion that management of companies we are invested in should always be accountable to the shareholders.

The two most commonly used board structures are I) the unitary board composed of executive and non-executive directors and II) the two tier board structure comprising a non-executive supervisory board and an executive management board. If this policy refers to non-executive directors and executive directors of a unitary board, the same applies to members of the (non-executive) supervisory board and (executive) members of the management board of a two-tier board and vice versa. Regardless of the board structure adopted, both executive management as well as non-executive directors should base their decisions on the long-term interests of the company and its shareholders while acting responsibly to all stakeholders. We expect the board of directors to promote and protect shareholder interests by applying measures that include but are not limited to:

- Establishing an appropriate corporate governance structure tailored to the company-specific situation.
- Ensuring the integrity of financial statements.
- Establishing appropriate executive compensation structures aligned to long-term strategy and the desired corporate culture throughout the organization.
- Overseeing and supporting management in setting a sustainable strategy and associated risk profile and overseeing the operation of the internal risk management and control systems.
- Addressing business issues like mergers, acquisitions and disposals, and including social, ethical and environmental issues when they have the potential to impact company reputation and performance.

All directors need to be able to allocate sufficient time to the board in order to perform their responsibilities effectively, including allowing some leeway for occasions when greater than usual time demands are made.

4.2.1 Discharge of board and management

NN IP generally votes for discharge of directors, including members of the management board and/or the supervisory board, unless there is information available about significant and compelling controversies that the board is not fulfilling its fiduciary duties such as:

- A lack of oversight or actions by board members which invoke shareholders distrust related to malfeasance or poor supervision, such as operating in private interest rather than in shareholder interest.
- Any legal issues (e.g. civil/criminal) aiming to hold the board responsible for breach of trust in the past or

related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud, and other illegal actions.

- Other notorious governance issues where shareholders will bring legal action against the company or its directors.

For markets which do not routinely request discharge resolutions (e.g. common law countries or markets where discharge is not mandatory), analysts may voice concern in other appropriate agenda items, such as the approval of the annual accounts or other relevant solutions, to enable shareholders to express discontent with the board.

NN IP will vote against proposals to remove approval of discharge of board and management from the agenda.

4.2.2 Board composition and independence of directors

Board composition

Principles we endorse:

- The composition of the supervisory board shall be such that it is able to carry out its duties properly. The board should consist of a suitable mix of relevant expertise and professional backgrounds and every non-executive board member should have adequate financial expertise to be capable to assess the overall policy.
- Directors should stand for re-election on a regular basis. We assess directors nominated for election or re-election in the context of the composition of the board as a whole. There should be detailed disclosure of the relevant credentials of the individual directors in order that shareholders can assess the profile of an individual nominee. A non-executive member may be (re)appointed for a maximum period of four years at a time and may serve in total no longer than 12 years, unless valid reasons have been disclosed to deviate from this principle.
- We support nominations to improve diversity on the board, and we will encourage the discussion to be broader than gender and age as we believe it should be about having an adequate mix of (international) expertise and professional backgrounds on the board and that every board member has sufficient expertise to be able to assess and to supervise the policies of the management board and the general affairs of the company and its affiliated enterprise, as well as to assist the management board by providing adequate advice.
- The board has to have an appropriate balance between executives and non-executives, and a majority of the non-executive directors should be regarded as independent according to local standards.
- The role of chairman and CEO should be separated. This separation, if managed appropriately, may create an optimal oversight structure that is most likely to protect shareholders' interests. If the company's chairman is not regarded as independent, the company should adopt an appropriate structure to ensure strong checks and balances to counter a concentration of power. The company should then also explain the reasons why this leadership structure is considered appropriate and keep the structure under review.
- Executive and non-executive board members must be able to devote sufficient time and focus to the investee

company. Where an executive or non-executive board member has committed him or herself to service on other boards we will review each situation on a case-by-case basis, taking into account local laws and regulations applicable to the investee company. Where these principles are not respected we may consider to abstain from voting or vote against the proposed (re-)election.

Board committees

We prefer our investee companies to have in place separate board sub-committees for audit, remuneration and nomination/governance matters. Members serving on these subcommittees should be solely non-executive directors of which the vast majority and the chair is classified as independent to ensure among others an adequate diversity of views.

Voting considerations

In general NN IP will be supportive of the (re)appointment of the candidates that are proposed by the company. NN IP may consider not supporting the (re) appointment of the proposed candidates in certain circumstances, including but not limited to the following situations:

- In case the roles of CEO & chairman are combined.
- Where a director has a pattern of attending less than 75% of combined board and applicable key committee meetings, unless a good explanation is provided for the absence. Directors are expected to attend all board meetings in order to perform their responsibilities effectively.
- Where there is evidence that a director is not qualified to represent shareholders, or has acted in a manner that compromises his or her ability to represent the interests of the corporation, its affiliated enterprise(s) and all stakeholders. Therefore we may take into account his or her performance at other companies when deciding on the (re)election of a (non-) executive director.
- Directors should be able to devote sufficient time to their assigned role and should therefore limit the number of boards on which they serve. When analyzing whether a director sits on too many boards, we take into account local law or best practice corporate governance codes. We take into account board positions held in global publicly listed companies, not merely within the same market as the company under consideration. We will most likely withhold votes or consider to vote against the (re)election of non-executive board members for “over-boarding” where a director is:
 1. serving on more than five public company boards as a non-executive member (the role of chairman counts double), or
 2. is a Chief Executive Officer at a public company and is in addition serving as non-executive board member on more than two public company boards.
- We will consider to abstain from voting or to vote against the (re-)election of an executive board member which serves as the Chairman of the board of another publicly listed company and vice versa.
- In order to provide independent judgment, and to generate confidence that independent judgment is being applied, a board should include a strong presence of independent non-executive directors with appropriate competencies. These competencies include among

others key industry knowledge and experience. Where independence is lacking we may vote against the (re) appointment of one or more non-independent directors and/or the chair of a committee.

- If a material financial restatement of the annual report and accounts occurs, that suggests a failure of internal controls. Under these circumstances NN IP will vote against the (re)appointment of the directors on the audit committee.
- In case executive compensation appears misaligned with shareholders’ interests or otherwise problematic, we may consider voting against reappointment of the chairman of the remuneration committee. If concerns about a company’s remuneration practices persist for several years, we may consider voting against the (re)appointment of the other members on the remuneration committee. See also the section on remuneration and benefits.

4.3 Remuneration and benefits

Remuneration executive directors

Principles we endorse:

- The remuneration policy for the management board should be aligned with the long-term strategy of the company and corresponding goals. Executive pay should incentivize value creation within companies and effectively align the interests of executives with those of shareholders.
- The remuneration of individual members of the management board should be consistent with their powers, tasks, expertise and responsibilities and all individual elements of remuneration packages should fit within the remuneration policy. Additional rewards that are not part of the remuneration policy should only be granted with prior shareholder approval.
- Remuneration structures should reinforce, not undermine, the corporate culture. Company size, operational performance, remuneration practices of peers, local corporate governance standards and best practices should be taken into account.
- Pay schemes should be clear, understandable and ensure that executive rewards reflect returns to long-term shareholders.
- Performance measurement should incorporate risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its shareholders.
- A company’s remuneration policy should contain fixed and variable elements, and the latter should be based on clear and challenging performance targets. Variable bonus targets should be designed to support and reflect the company’s strategic objectives as well as long-term shareholders interest. In general we would prefer that the variable bonus element is paid out in shares rather than in options or cash. The shares that are granted to the company’s executives as part of the variable compensation should be subject to an appropriate vesting and holding period of at least three years. All performance criteria that are part of the remuneration policy must be measurable, relevant to the company and transparent. Also in case a company includes bonus criteria that are related to non-financial measures relevant to a company’s

long-term success, such as sustainability matters, the aforementioned criteria will be taken into account.

- Executive pay policy should be clearly aligned with pay policies in the company as a whole. When it comes to remuneration practices, management board members serve as examples to the other employees of the company.
- NN IP is supportive of remuneration policies which include provisions that allow the company to adjust or recover (claw back) awards in specified situations. Corporate events like a public offer may result in increasing value of granted stock options causing excessive benefits to standards of reasonableness and fairness. Where there is reasonable evidence of misbehavior or material error, where a material downturn in its financial performance is suffered or where a material failure of risk management has occurred, recovery should be possible by virtue of the fact that payment has been made on the basis of incorrect information on the achievement of the underlying bonus targets or circumstances on which the bonus was granted. Application should not be limited to cases involving fraud.

Remuneration non-executive directors

Companies should also provide comprehensive and clear disclosure describing the non-executives' compensation plan. The annual retainer or fee should be the preferred form of cash remuneration paid to non-executive directors. In general NN IP is not supportive of performance based remuneration elements as part of the remuneration schemes for non-executive directors. Performance-based remuneration can potentially be in conflict with the non-executive's primary role as an independent representative of shareowners.

Voting considerations

NN IP will generally vote for proposals that are related to both executive directors' as well as non-executive directors' remuneration plans. Reasons for not supporting a company's remuneration policy include, but are not limited to, the following:

- The company does not disclose its remuneration policy in a timely fashion and/or is not transparent about the remuneration paid to its (non-)executive directors.
- The policy does not contain an adequate balance between fixed and variable components And/or between short and long-term incentives. This ratio may vary based on market conditions and the specific circumstances of the company.
- The (conditional) granting and payment of variable elements of remuneration does not depend on transparent, clear and measurable targets that are relevant to the company.
- Equity (and equity-like) remuneration does not have vesting terms that are clearly consistent with the company's capital allocation and investment horizon. As a general rule, vesting of long-term incentives should generally be a minimum of three years. The short-term incentives should generally be tied to annual performance measures.
- In change in control or other corporate events, we are not in favor of automated acceleration of equity instruments based on such events.

- Where the remuneration committee has discretionary power in determining short-term and long-term bonuses according to the remuneration policy, and the awarding is not well justified in the company's annual report or other publicly available document.
- Salary levels of executive management or non-executive directors are well above industry average and salary levels of peers, while the company is at the same time performing in line with or underperforming its peers.
- The company has incorporated the possibility in its remuneration schemes to re-price outstanding share options to the benefit of the executive directors without prior shareholder approval.
- Severance pay which exceeds local best practice in order to prevent payments for failure.
- Lack of provisions that allow the company to adjust or recover (claw back) awards in specified situations which result in unacceptable benefits for the executive directors to standards of reasonableness and fairness.

4.4 Capital structure, asset sales, mergers and acquisitions and other special transactions

Issuance of shares

Adequate capital stock is important to the operation of a company. Companies may request shareholder approval for general share issuances in order to have sufficient flexibility with respect to financing needs, without having to call a shareholder meeting for every issuance. While we think that having an authorization to issue new shares allows management to make quick decisions and effectively operate the business we prefer that, for significant transactions, management comes to shareholders to justify their use of additional shares. Therefore it has our strong preference that the requested authorization to issue new shares with or without preemptive rights that can be used for any purpose remains limited, and that investee companies with explicit additional financing needs table this as a separate item on the agenda and clearly explain the underlying rationale.

Voting considerations

NN IP generally supports general share issuances, with or without preemptive rights, provided that the size and terms of the request are reasonable with a view to limit shareholder dilution, and depending on the purpose and the needs of the company.

The company should explain the conditions and circumstances under which the delegated authority will be exercised by the company. The requested authorization to issue new shares should at least include the maximum number of shares to be issued, the duration of the requested authorization as well as how the exercise prize will be determined.

Permission to issue shares without preemptive rights should preferably be requested for up to a maximum of 20% of the issued share capital whereof a maximum of 10% for general corporate purposes and an additional 10% in case of acquisitions.

We prefer an annual renewal of the authorization to issue new shares. The issuance period should be limited to 18 months for the Netherlands.

If the proposal contains a figure greater than 20%, the company should explain in details the nature of the additional amounts; NN IP takes local regulation and best practices into account in its voting decision.

We will generally support proposals to suspend preemption rights for a maximum of 20% of the issued ordinary share capital of the company; NN IP takes local regulation and best practices into account in its voting decision.

Repurchase of shares

We believe that share repurchase programs are generally supportive of the share price and we will therefore generally approve a requested authorization to repurchase shares. We expect the requested authorization to include the following information whereon we will determine our position case-by-case: I) a maximum number of shares which may be repurchased; II) a maximum price which may be paid for each share; III) an explanation of the intended use of the shares that have been repurchased; IV) the motivation for the buy back and demonstration that the repurchase is an appropriate use of the company's cash resources.

Financing preference shares; differential voting rights

We are supportive of a one-share, one-vote policy and oppose new mechanisms that skew voting rights. At the same time we recognize that the issuance of financing preference shares may offer a company an attractive alternative form of financing. In case of an issue of new financing preference shares at a price lower than the price of ordinary shares at the issue date of the financing preference shares, which could lead to a deviation of the one-share, one-vote policy, correction mechanisms should be applied to bring voting rights, as much as possible and practicable in line with investor's equity capital commitment to the company. If the issuance of the (financing) preference shares is based on sound financial considerations to the benefit of the company and its stakeholders, a deviation from the one-share, one-vote policy might be justified. We oppose to automatic legal granting of double voting rights to registered shares that are held for a certain period (like two years in France under the Florange act) and support amendments in bylaws to preclude the automatic granting of double voting rights. We oppose to amendments of bylaws to automatic granting of double voting rights to holders of registered shares that are held for a certain specified period.

(Loyalty) dividend

Companies should have clear dividend policies, which set out the circumstances for distributing dividends and returning capital to shareholders. We will judge the sustainability and appropriateness of the dividend and vote accordingly.

In general we oppose to granting extra dividend to registered shares that are held for a certain minimum period. Equal rights for all shareholders holding the same sort of shares should be the basic principle.

There should always be a cash dividend available as an

option to scrip dividend or equivalent. If such an option is not available we may wish to vote against approval of the dividend.

In jurisdictions where the authority to reserve profits is a key shareholder ability we will consider to vote against the agenda item that moves this ability to the board.

Private placements

We generally have no objections to private placements of equity or equity like instruments as a means of financing, provided that the size and terms of the request are reasonable.

The company should explain the conditions and circumstances under which the delegated authority will be exercised by the company. The requested authorization to issue new shares should at least include the maximum number of shares to be issued, the duration of the requested authorization as well as how the exercise price will be determined.

The number of shares to be issued under the private placement agreement should preferably remain within a maximum of 10% of the issued share capital of the company.

Related party transactions

Companies should have an appropriate process for reviewing and monitoring related party transactions. If related party transactions are entered into, they should be conducted on an arm's length basis, approved by independent parties, such as disinterested directors and/or shareholders.

The disinterested directors should review significant related party transactions and aggregate levels of related party transactions to determine whether they are in the best interest of the company and if so, determine what terms are fair to other shareholders.

If a director has an interest in a matter under consideration by the board, then the director should not participate in those discussions and the decision-making.

We generally support annual mandates for recurring connected transactions that enable companies to avoid the costly expenses associated with the need to call a shareholder meeting every time the company seeks approval for any such transaction. Annual mandates for recurring connected transaction should not adversely impact minority shareholders.

Voting considerations

When evaluating resolutions that seek shareholder approval on related party transactions among other things the following factors will be taken into account:

- The pricing of the transaction (and any associated professional valuation).
- The views of independent directors (where provided).
- The views of an independent financial advisor (where appointed).
- Whether any entities party to the transaction are conflicted.
- The stated rationale for the transaction, including discussions of timing.
- The parties on either side of the transaction.
- The nature of the asset to be transferred/service to be provided.

Merger and asset sales proposals

When evaluating the merits of a proposed acquisition, merger or takeover offer, we focus on the impact of the proposal on shareholder value, both in the short term as well as in the long term. We consider the financial terms of the transaction and the strategic rationale for the proposal. The key factors that we typically include when evaluating these proposals are:

- **Valuation:** Is the value to be received by the target shareholders or the amount paid by the acquirer reasonable? How does it compare to our price targets generated by our Discounted Cash Flow (DCF) and Economic Value Added (EVA) models. Does it compensate us well enough for the opportunity loss of having to sell the stock? How does the valuation compare to its own history and to peers?
- **Strategic rationale:** There should be a favorable business reason for the intended combination.
- **Board approval:** Unanimous board approval and arm's length negotiations are preferred.
- **Conflicts of interest:** We will consider whether any special interests may have influenced directors to support or recommend the merger.
- **Governance:** Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction?
- **Disclosure:** The company must fully disclose all relevant information to allow shareholders to make an informed voting decision about the proposed transaction; if we judge the content of the disclosed information to be ambiguous, we may not be supportive of the proposal.

4.5 Proposed changes to the articles of association and legal structure

Requests to amend a company's articles of association are usually motivated by changes in the company's legal and regulatory environment. Such proposals are especially common whenever stock exchange listing rules are revised, new legislation is passed or a court case exposes the need to close loopholes.

We generally support amendments that update the company's articles of association to reflect market norms and regulations. We will normally vote against amendments of the articles of association that aim to limit existing shareholders' rights. We will vote against amendments that impose more stringent demands for tabling shareholder proposals. We will vote against amendments that favor certain shareholders (e.g. extra dividend or double voting rights for loyal shareholders). We will vote against amendments that comprise legal restructuring of the investee company which can be of disadvantage to shareholders.

We are opposed to the practice of bundling several amendments under a single proposal on the agenda of the shareholder meeting, because it prevents shareholders from evaluating each amendment on its own merits.

We expect our investee companies to submit each material amendment to a separate vote. If several amendments are grouped into one proposal, we will review whether any of the individual amendments will negatively affect our position as a shareholder and we may vote against the proposal.

4.6 Anti-takeover defence mechanisms

In general NN IP is not supportive of a proposal to adopt or approve the adoption of an anti-takeover provision and will determine its vote on a case-by-case basis. The link between the financial interests of shareholders and their right to consider and accept buy-out offers is substantial. At the same time we take into account that an anti-takeover provision can be beneficial to a company and its shareholders if it gives management some time to assess different options. We will normally only support anti-takeover defence mechanisms when the time limit and the circumstances under which a defence mechanism can be triggered are clearly defined.

We recognize that in certain jurisdictions legitimate corporate governance structures are available that have characteristics with similar effects as anti-takeover defences, e.g. the Dutch statutory two-tier company (*structuurvennootschap*) where the management board is appointed by the supervisory board instead of by the meeting of shareholders and corporations where executive committees have been appointed by the executive board which merely consists of a CEO and CFO, thereby diminishing shareholders' powers related to the appointment of the executives.

The management board should provide a survey of all existing or potential anti-takeover measures in the annual report and should also indicate in what circumstances it is expected that these measures may be used.

4.7 Depositary receipts and trust office occurring in the Netherlands

NN IP believes that Dutch depositary receipts for shares could be a means of preventing a majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting. Depositary receipts should never be used as an anti-takeover mechanism. Investee companies that have issued depositary receipts for shares are expected to act in line with IV.2 of the Dutch corporate governance code. This means among other things that management of the trust office shall issue proxies in all circumstances and without limitation to the holders of depositary receipts who so request. The holders of depositary receipts thus authorized have the ability to exercise the voting rights at their discretion. The management of the trust office shall enjoy the confidence of the depositary receipt holders and operate independently of the company which has issued the depositary receipts.

4.8 Environmental, social and ethical issues

We expect investee companies to act in a responsible way to all stakeholders in order to ensure long-term performance for the shareholders. This includes recognition of the impact of their business decisions on the environment, as well as recognition of the impact of their business decisions on social and human rights issues in the regions in which they do business.

NN IP encourages companies to adhere to internationally accepted governance standards beyond complying with local legal requirements. These include for instance the OECD Principles of Corporate Governance and the ICGN Global Governance Principles. Another important standard of corporate behavior which we use as a reference is the UN Global Compact. This sets out a minimum framework of standards for corporate practice on human rights, labour rights, the environment and the prevention of corruption. NN IP expects all companies in which it invests to adopt standards, policies and management processes across all corporate functions to ensure they deal adequately with environmental, social, and governance (ESG) matters.

While we consider ESG factors in our investment decision-making and ownership practices in order to improve the risk-return profile of our investments, we are also aware of, and encourage, the broader benefits which increased recognition and improved management of ESG risks can bring to society.

In identifying environmental, social and governance (ESG) risks that could affect the business, investee companies are encouraged to look across the entire value chain, and across all corporate functions, from human resources to operations and supply chain management, finance, marketing and sales.

Non-financial business reporting

In a fast-changing, globalizing world, information material to investor decision-making is becoming increasingly diverse and dynamic. Long-term success in managing a business in today's complex economic, environmental and social landscape is increasingly dependent on factors not reflected in financial statements. The same is true for investors when assessing a company's present and future valuation and ability to understand its risks and opportunities. Issues such as climate change, supply chain management, a company's approach to intellectual and human capital and its environmental management systems represent a class of variables that can have a direct impact on short and long-term value creation and destruction. They can have an impact indirectly through effects such as reputation loss or enhancement and customer satisfaction and loyalty.

NN IP recognizes that ESG information, when combined with financial information, can provide valuable insight into the overall quality of management, a critical variable in the appraisal of the firm's financial prospects. Therefore we encourage our investee companies to report on ESG matters that are relevant and potentially material to ensure that the business creates and sustains value in the short, medium and long-term. Companies are encouraged to combine all material information (both financial and ESG) in a format that serves its stakeholders. To create consistency and comparability, we promote the use of international reporting frameworks such as those presented by the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC).

Shareholder proposals

NN IP actively casts votes on shareholder proposals that are related to environmental, social and corporate governance issues relevant to the company. Taking into account the economic impact of such a proposal NN IP is supportive of shareholder proposals if we believe they help address significant social and environmental issues that can have an impact on a company. At the same time we take a rational approach in our analysis of the shareholder proposals at hand. If it appears from our analysis that a company already deals adequately with the request as mentioned in the shareholder resolution, we may not support the proposal. Also, if we are of the opinion that the shareholder proposal is poorly drafted or the argumentation as used by the filers of the proposal is lacking, we may not support the proposal. We are generally supportive of shareholder proposals that seek to generate greater transparency and accountability about how companies address key environmental and social issues. This also goes for proposals that seek to bring an investee company's corporate governance into line with generally accepted best practices.

5. Securities lending

The lending of securities and especially of common shares is an increasingly important practice which improves market liquidity, reduces the risk of failed trades and can add significantly to the incremental return of clients. Where NN IP receives a fee for a security that has been lent this directly benefits our clients. If securities have been lent, we are not able to make use of our voting rights at the shareholders' meeting. For specific, mostly controversial meetings, NN IP can decide to recall its shares. This procedure helps to realize returns from securities lending and preserve voting rights. Where Proprietary Assets consist of 5% (or more)- stakes in a company's share capital NN IP always wants to be able to use its voting rights attached to such stakes and therefore no preference is given to securities lending.

