

Swiss Life Asset Managers Luxembourg

Voting Rights Policy

June 2020

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Voting Rights Policy

1. Purpose

In accordance with Article 23 of CSSF Regulation 10-4 and Article 37 of Commission Delegated Regulation 231/2013/EU and pursuant to Section 5.5.10 of CSSF Circular 18/698, Swiss Life Asset Managers Luxembourg (“SLAM LUX”), a Management Company under Chapter 15 of the law of 17 December 2010 on undertakings for collective investment, as amended from time to time (the “2010 Law”) and an Alternative Investment Fund Manager under chapter 2 of the law of 12 July 2013 on alternative investment fund managers, as amended from time to time (the “2013 Law”), has introduced the Voting Rights Policy (“the Policy”). SLAM LUX is also authorised for the management of investment portfolios in accordance with mandates given by investors on a discretionary, client-by-client basis as provided for in articles 101(3) of the 2010 Law and 5(4) of the 2013 Law.

The purpose of the Policy is to provide a description on SLAM LUX’s strategy for the exercise of voting rights. The Policy aims at ensuring that the voting rights on shares under the responsibility of SLAM LUX, including voting rights of shares which are held in funds managed by SLAM LUX are exercised on a consistent basis, through the setting of substantive principles governing decisions, and definition of procedures and responsibilities.

2. General principles of the Policy

Exercising of shareholder voting rights is an effective tool to influence the behavior of companies in the portfolios of the funds managed by Swiss Life Asset Managers Luxembourg. As such, SLAM LUX exercises the voting rights in a fiduciary capacity on behalf of the investors of the relevant funds under management. By exercising voting rights, SLAM LUX supports all sustainable actions that will increase the long-term value of the underlying investments.

This policy is to be used as a guideline. It does not decide in advance any potential voting scenarios. Each voting decision shall be based on the specific facts on a case by case basis. Swiss Life Asset Managers Luxembourg will consider whether the vote is in the best interests of the funds and their investors and will take reasonable organizational measures to avoid, or at least to reduce the risk of conflicts of interest to a minimum level.

In general, SLAM LUX distinguishes between the following classes of instruments:

Financial Assets:

- Defined as investments in publicly held companies, having voting rights attached to

Real Assets:

- Other investments having voting rights attached to (for example but not exclusively private equity investments)

- Excluded are all investments, being part of a fund structure and owned 100% by a fund (for example but not exclusively SPVs like holding companies)

Details of the actions taken to implement the strategies for the exercise of voting rights are available for investors free of charge, on request.

3. Exercising Voting Rights

By investing in a fund issued by Swiss Life Asset Managers Luxembourg, investors permit SLAM LUX to exercise the voting rights in a fiduciary capacity at annual general meetings. SLAM LUX exercises the voting rights in the investors' best interests.

The Swiss Life Asset Managers Luxembourg may be supported by a recognised, independent voting rights advisor when exercising its voting rights. At the same time, it always reserves the option to exercise its voting rights independently.

Swiss Life Asset Managers Luxembourg will take all reasonable steps to obtain the best possible result for the managed funds, taking into account particularly various factors. The main voting principles in terms of selecting key agenda items are listed below (non-exclusive list):

Annual report

Approval of the annual report is only declined if serious deficiencies are apparent, if the usual standards in terms of information content are blatantly disregarded or facts are withheld which entered the public domain in other ways during the reporting year. A rejection also ensues if the annual report or financial statements were not published early enough prior to the annual general meeting.

Discharge of the Board of Directors

The motion to discharge the members of the Board of Directors is rejected if the Board of Directors or the members of the Executive Board can be held responsible for serious deficiencies in the management or ultimate direction of the company or if there is sufficient suspicion thereof. The same applies if the company is guilty of serious violations of employees' social rights or becomes guilty by association of serious violations of its suppliers' employees' social rights or if there is sufficient suspicion thereof.

Election of Directors

A new election or reelection is rejected if there is insufficient information on the candidate to assess his or her potential contribution to the Board. The candidate will be rejected if he/she is not of good reputation or does not offer any guarantee of impeccable conduct and attitude. SLAM LUX normally votes against candidates who hold the presidency of the Board of Directors and the position of CEO at the same time (double mandate). Exceptions can be made if the double mandate is a transitional solution and there are organizational structures in place to ensure checks and balances. The candidate is rejected if he is not considered independent and, at the same time, the board level of independence is not in line with local best practice.

Application of the balance sheet profit and distribution practice

The proposed application of balance sheet profit is voted against if it appears disproportionate to the company's financial situation and prospects or if it is incompatible with investors' interests. If the proposal is to replace the dividend distribution with a share buy-back plan, SLAM LUX will vote against it. The application is rejected if the dividend is replaced by a repayment of par value that substantially impairs the shareholders' right to include an item on the agenda.

Election of the statutory auditor

The Board's proposal to elect or reelect the statutory auditor is rejected,

- if there is evidence of a specific instance of misconduct or if there is a risk of conflicts of interest endangering the independent exercise of the audit mandate;
- if the name of the external auditor was not provided prior to the annual general meeting;
- if the disclosure of the various consulting services provided by the statutory auditor is insufficient to assess the statutory auditors' independence;
- if the work performed by the lead auditor responsible for the mandate was recently severely criticized in relation to a similar mandate;
- if the statutory auditor demonstrably failed to recognize detrimental fraud or weaknesses in the internal control system, which had a significant impact on the company's result;
- if the fees for non-audit services exceed the local practice.

Compensation

The compensation system can provide the wrong type of incentives, which are not in the company's or its shareholders' interests. The compensation report is therefore rejected if it fails to comply with the following principles:

- The compensation system must be presented clearly and comprehensively. Long-term incentive systems must contain clear performance criteria. The compensation amount must have an upper limit.
- The compensation must match the service provided and be oriented to long-term capital appreciation for the shareholder. Guaranteed payments or payments subject to a large degree of discretion are to be avoided.
- Contracts which involve a significant payment even in the event of managerial failure are not acceptable.

Amendments and additions to the articles of association

Proposals by the Board of Directors are normally approved, especially if they improve corporate governance, strengthen shareholders' rights in a constructive way and eliminate inequalities between types of share.

Proposals by the Board of Directors are rejected, if they

- lead to a restriction of shareholders' rights;
- jeopardize equal treatment of shareholders or voting shares;

- create excessive approved or conditional capital relative to the registered share capital, or if the information about their intended application is vague;
- create conditional capital to boost option plans governed by non-transparent conditions, or if they permit disproportionate entitlement to compensation;
- reduce share capital through repayment of par value or cancellation of equities, leading to a significant weakening of equity capital or equity structure;
- bring about a change which has a negative impact on the rights or interests of all or some of the shareholders;
- bring about a change which has a negative impact on the long-term interests of the majority of stakeholder groups in the company.

4. Responsible Investing

Responsible investment is the integration of environment, social and governance (“**ESG**”) factors into investment decisions via a controlled and structured investment process. ESG factors are a subset of nonfinancial performance indicators which include ecological, ethical and corporate governance issues. In recent years, ESG factors have gained in importance in society, politics and also among the investors. This ties in with Swiss Life Asset Managers Luxembourg longstanding focus on generating sustainable long-term return.

For SLAM LUX, it is of utmost importance to protect the entrusted and managed assets from the impacts of financial and non-financial risks. Assessing, engaging, ongoing controlling and reporting of the integration of ESG criteria is becoming best practice for prudent asset management and forms part of SLAM LUX’s holistic asset management approach. The integration of ESG criteria is covered inter alia in various phases and sub-processes of SLAM LUX’s investment process. As part of this, ESG-related voting items are reviewed carefully on a case-by case basis based among others on the recommendation provided by a dedicated responsible investing team.

SLAM LUX supports proposals which sustainably improve the management of the company according to recognized principles or which promote ethical, social or economic aspects, provided they are compatible with the company’s strategic orientation.

In addition, the “Swiss Life Asset Managers Engagement Policy” applies.

5. Review of the Policy

Swiss Life Asset Managers Luxembourg will review the Policy on a regular basis and at least once a year. A review is also carried out whenever material change in the market environment occurs that may affect Swiss Life Asset Managers Luxembourg ability to achieve the best possible result.

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