



cardano

**Sustainable
Investment Policy
Appendix D1:
Voting Policy 2023
Market Requirements**

January 2023

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Market-Specific Considerations

1. Africa

1.1. South Africa

Cardano supports the 2016 amended South African King Report on corporate governance (King IV Report). Cardano recommends that listed companies disclose relevant information about their corporate governance rules and practices in accordance with the provisions of the Code and, where required, explained how the principles have been applied.

Corporate boards

Cardano expects:

- Boards to take account of diversity in its broadest sense when considering possible candidates for the board and other senior positions;
- Boards to comprise a majority of independent non-executive directors so as to ensure an appropriate balance of independence and objectivity; and
- A board evaluation to be carried annually by an independent provider and the board to disclose the main outcomes of the evaluation.

Cardano would welcome a system whereby significant shareholders had the opportunity to suggest potential directors as it would add value to the board.

Cardano believes that companies should amend their memorandum of incorporation to call for re-election of all directors, including executive directors, on a regular basis.

Remuneration

Cardano expects South African companies to provide a clear, comprehensive narrative of the company's remuneration policies and practices in the annual report. Cardano believes that boards should take the necessary steps to provide shareholders with mandatory remuneration disclosures.

Cardano notes that the King IV Code intends that the say-on-pay vote be on the remuneration policy and not on the decisions taken under that policy. Given the complexity of making a distinction in practice, Cardano recommends that companies allow shareholders to vote annually on their remuneration policy.

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits.

Authorities to issue shares for cash and to place unissued shares under the control of the directors

Cardano is supportive of general authorisations to issue shares for cash up to 5% of the current issued capital and to place no more than the same amount under the control of the directors.

Black Economic Empowerment

Cardano supports provisions in the 2003 South African Government's Black Economic Empowerment Act (BEE) as a means to redress the country's inequalities. The BEE requires companies wishing to contract with any government entity to comply with the Act. Cardano believes that all the aspects of the BEE are crucial in South Africa's development and future prosperity. Cardano expects all parties involved in BEE transactions to provide full transparency both on their compliance with the Act and their progress in developing aspects of the BEE.

2. Americas

2.1. Brazil

Cardano endorses the recommendations of the Code of Best Practices of Corporate Governance, issued by the Brazilian Institute of Corporate Governance. Cardano recommends that listed companies disclose relevant information about their corporate governance rules and practices in accordance with the provisions of the Code. Cardano expects companies to comply with the disclosure provisions in the Corporate Governance Statement of their annual report.

Corporate boards

The board should be made up of members with an appropriate and diverse range of competencies. Brazilian companies have a unitary board of directors (Conselho de Administração). We understand that in many cases the board of directors includes members of the management board.

- Cardano understands that it is justified for major shareholders to be represented on the board but expects there to be a strong core of independent directors to ensure that the interests of minority shareholders are protected. In the case of controlled companies, the number of insiders on the board should be proportional to the controlling shareholders' economic interests.
- The Code recommends that the majority of the directors be independent, whereas the BM&F BOVESPA Stock Exchange Listing Rules require companies in the differentiated market segments – Novo Mercado and Nivel 2 – to have at least 20% board independence, with no requirement for companies in the other segments. Cardano recommends that companies comply with the Code and exceed the independence standards required by BM&F BOVESPA. At least one third of all members, ideally the majority of the members of the board, should be independent.
- Whenever the roles of chairman and CEO are combined, Cardano supports the existence of a senior independent director.
- Brazilian law allows for the establishment of a supervisory council (conselho fiscal). Members of the supervisory council should be independent from the company. Cardano believes that such entities provide an important safeguard for shareholders.
- Cardano is supportive of the appointment of minority candidates.

Remuneration

Cardano expects Brazilian companies to comply with the instructions of the Securities and Exchange Commission of Brazil (CVM) on remuneration disclosure and not use a court injunction to avoid disclosure of the remuneration paid to their highest-paid executives.

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Termination provisions and severance packages

Cardano will normally vote against any remuneration policy which allows for severance payments to executive directors to exceed one year of total remuneration.

Cardano may consider supporting severance packages that are limited to a maximum of 18 months of basic and variable remuneration if there is an appropriate justification which is deemed acceptable.

Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance, if he/she decided to leave the company, change his/her position or is entitled to exercise his/her rights to pension in the near future. Cardano will support proposals to limit any compensation payments in the event of early termination to one year of salary and benefits (excluding any bonus).

Multiple share class structures and tag-along rights

Cardano expects companies to provide sufficient information on the material attributes of all of the company's share classes and series of shares; this information should be disclosed on a timely basis.

According to Brazilian law, companies may issue up to 50% of their total share capital in the form of preferred shares with no voting rights or restricted voting rights that entitle their holders to receive fixed or minimum dividends and other financial benefits. Cardano encourages companies to adopt the concept of one share, one vote.

Cardano supports the concept of tag-along rights to all equity classes.

Capital-related proposals

Cardano will normally vote against capital issuance proposals with pre-emptive rights and priority subscription periods which represent more than 50% of the issued share capital and when the issuance is not intended for a specific purpose.

Cardano will normally vote against capital issuance proposals without pre-emptive rights which represent more than 20% of the issued share capital and when there is no formal explanation and justification.

Cardano will decide on any share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

Cardano will vote against any share re-purchase request that does not clearly specify whether the share re-purchases will be allowed during a takeover period. Equally, Cardano will vote against any share re-purchase request that would allow share re-purchases during a takeover period.

Anti-takeover measures

Cardano supports provisions in the articles of association that require a shareholder to make a mandatory tender offer for all of the company's outstanding shares if it acquires control over 30% or more of the share capital. Cardano would vote against provisions that allow this threshold to be set as a lower percentage as they might be used as anti-takeover mechanisms by companies.

2.2. Canada

Cardano is generally supportive of the principles and recommendations of the National Policy 58-201 Corporate Governance Guidelines, the Multilateral Instrument 52-110 Audit Committees, the September 2018 Corporate Governance Guidelines of the Office of the Superintendent of Financial Institutions Canada (OSFI) and other best practice guidance.

Corporate boards

Canadian companies have a unitary board structure. The National Policy 58-201 Corporate Governance Guidelines recommend that boards have a majority of independent, non-executive directors. In line with market best practice, Cardano expects that a substantial majority (at least two-thirds) of directors should be from outside the company and independent of the company's management and business operations.

- Cardano will oppose the election of the CEO if he is also Board Chair.
- Cardano will oppose the re-election of members of the corporate governance or nominating committee at a board that does not have an independent chair.
- Cardano will oppose the re-election of members of the audit committee if no audit fee information is available from the company prior to a shareholder meeting.
- Cardano favours majority vote standards for the election of directors and will support proposals requesting by-law changes to achieve this.
- Cardano will oppose proposals to adopt cumulative voting at those companies that have adopted a majority vote standard for the election of directors.

- Cardano will support the reimbursement of proxy solicitation expenses in contested elections when Cardano has supported the dissidents' election.

Remuneration

Cardano will vote against proposed amendment procedures that do not require shareholder approval for amendments of security-based compensation arrangements.

Cardano will expect all equity-based incentive schemes to have a three-year burn rate that is not excessive relative to peers.

Audit

Cardano will consider voting against the re-election of the auditor that has held the audit mandate for over 20 years due to concerns about audit independence, unless the company has carried out a recent tender process and provided a satisfactory explanation for its decision to continue with the current auditor.

Anti-takeover provisions/Shareholder rights plans

Cardano will support only "new generation" shareholder rights plans whose purpose is limited to:

- Providing the board with more time to find an alternative value-enhancing transaction; and
- Ensuring the equal treatment of all shareholders.

Requests to modify existing provisions or shareholder rights plans will only be supported if they are deemed to enhance shareholder rights.

2.3. Chile

Cardano is generally supportive of the various best practice codes and regulations that inform the corporate governance of companies in Chile, including the 2000 Tender Offers and Corporate Governance Law (Ley de OPAS); the 2001 First Capital Market law (MKI); the 2008 Second Capital Markets Law (MKII), the 2009 Law 20,382; and the Securities and Insurance Superintendence (SVS) recommendations on strengthening corporate governance rules.

Chilean companies are allowed to create multiple classes of stock with different voting rights for each class. Most companies have a single class share structure. Cardano expects Chilean companies to disclose their vote results on their websites.

Amend articles of association/bylaws

Cardano will generally vote against a proposal to amend articles or bylaws unless sufficient information has been provided to allow shareholders to make an informed decision.

Annual reports and accounts

Cardano will vote against the annual report and accounts if the documents (or their draft versions) are not disclosed in time for review prior to the voting deadline.

Corporate boards

Chilean companies have a unitary board structure and directors generally serve two-year terms. Under Chilean law, companies are not required to have any committees. The election of members of the board of directors is usually by slate.

- Cardano will oppose individual board nominees or slates in situations where we identify a concern.
- If a company's market capitalisation exceeds 1.5 million Unidades de Fomento (a unit of account used in Chile), which is approximately \$60 million, with a free float of at least 12.5 per cent, it is required to have at least one independent director and an audit committee composed of at least three board members, a majority of whom must be independent. Cardano expects that companies comply with this.

Remuneration

Companies are not required to submit executive remuneration to a shareholder vote. Where companies choose to do so, Cardano will make a case-by-case assessment of the overall director remuneration arrangements before making a voting decision, analysing the company's recent remuneration practices and comparing the fee level to other companies.

Ratification of auditors

Cardano understands that external auditors must be independent by standards defined in the Association of Auditors' Code of Ethics and Auditing Standards. Auditors cannot own more than 3 per cent of the total equity of a Chilean issuer, nor should the revenue from any one company exceed more than 15 per cent of the auditor's total revenue.

Cardano may vote against the appointment of the auditor/the authority to set audit fees if the fees paid to the external auditor have not been disclosed in the annual report and financial statements or the name of the auditor has not been provided.

2.4. Mexico

Cardano is generally supportive of the Mexican Corporate Governance Code (Código de Principios y Mejores Prácticas Corporativas) as well as the corporate governance provisions in the Mexican Commercial Companies Law and the Mexican Securities Law.

Although shareholders of Mexican companies are generally given the opportunity to vote on a similar range of items as arise on general meeting agendas in other markets, distinct issues are sometimes bundled together as a single agenda item and salient information on agenda items is not always disclosed in a timely fashion. Cardano will take into account both factors when considering general meeting resolutions.

Report on tax compliance

Cardano will not support the approval of the report on tax compliance if the company has not published it a reasonable time in advance of the meeting.

Corporate boards

Mexican companies have unitary boards comprising predominantly non-executive directors. Mexican Securities Law requires that the board of directors is composed of not less than five members and not more than 21 members and at least 25% of the board should be independent, while the Corporate Governance Code recommends independent representation of at least 60%.

Mexican companies are required to establish an Audit Committee and a Corporate Practices Committee. Each of these committees should consist of no less than three directors and all of them should be independent.

- Cardano will not support proposals to elect directors or members of board or management committees if the company has not provided information on the nominees a reasonable time in advance of the meeting.
- Where a company's board falls short of the level of independence recommended by the Code and directors stand for election individually, Cardano will take into account various factors in evaluating the election of non-independent directors, including the presence of significant shareholders or their representatives on the board and the financial performance of the company.

Share repurchase authorities

Mexican law does not impose a numerical limit on the maximum amount of capital which may be used to fund buyback programmes. Cardano will not support share repurchase authorities if the company has not provided information on the material terms of the authority a reasonable time in advance of the meeting.

2.5. United states

Cardano is generally supportive of the principles and recommendations of the Council of Institutional Investors' (CII) Corporate Governance Policies and other best practice guidelines.

Corporate boards

Cardano expects that a substantial (at least two-thirds) majority of a corporate board should comprise directors from outside the company and independent of the company's management and business operations.

Cardano is supportive of the effort to seek the separation of the roles of the Chairman and CEO and will support proposals to separate those roles. Cardano will normally support the election of an incumbent combined chair/CEO if the board has a lead independent director.

Cardano expects boards to have the appropriate balance of short and long-tenured directors ensure they contribute an impartial perspective to decision-making. Director tenure should be reviewed annually and board diversity should be a key consideration.

Cardano will normally vote against:

- the re-election of members of the corporate governance or nominating committee at a board that has neither an independent chairman nor a lead director;
 - the re-election of directors at a board that has failed to take reasonable steps to respond to a shareholder proposal supported by a majority of shareholders in the previous year, provided that Cardano supported that proposal;
 - the re-election of members of the audit committee at a board that has not proposed that shareholders vote to ratify the auditors;
 - the re-election of a director who has failed to receive support from a majority of shareholders in the previous year, unless the board has put forward a compelling counterargument; and
 - proposals to adopt cumulative voting at those companies that have adopted a majority vote standard for the election of directors.
- Cardano will support:
- proposals to declassify the board of directors (so as to allow annual elections);
 - improved access to the proxy for shareholders; and
 - proposals requesting by-law changes that allow for majority vote standards for director elections.

Remuneration

When evaluating equity-based incentives for US companies, Cardano will take into account the level of awards linked to performance. Cardano believes that a significant proportion of equity-based awards should be performance-based.

Cardano will expect all equity-based incentive schemes to have a three-year average burn rate that is not excessive relative to peers.

Cardano supports the introduction of an annual advisory vote on remuneration.

When reviewing change-in-control provisions, Cardano prefers that they require a 'double trigger' and total no more than three times the executive's annual salary. Cardano is not supportive of companies adding excise tax gross-ups obligations to change-in-control provisions.

Audit

Cardano will consider voting against the re-election of the auditor that has held the audit mandate for over 20 years due to concerns about audit independence, unless the company has carried out a recent tender process and provided a satisfactory explanation for its decision to continue with the current auditor.

Capital-related proposals

In line with best market practice, Cardano will generally vote for requests for capital issuance except in the following circumstances:

- The shares can be used for unspecified purposes;
- The resultant dilution would represent more than 10% of the current outstanding voting power;
- The shares would be issued at a discount to the fair market value; and/or
- The issued shares have superior voting rights.

Anti-takeover provisions/Shareholder rights plans

Cardano will review requests to adopt or modify anti-takeover provisions or shareholder rights plans on a case-by-case basis and carefully consider their impact on shareholder rights. Cardano will oppose any such request in the following circumstances:

- The company has a classified board of directors;
- The plan would inhibit hostile takeover attempts and/or entrench management by making the cost of an acquisition exorbitant; and/or
- The plan includes charter amendments that would have a detrimental impact on shareholder rights, such as supermajority voting requirements and/or the elimination of shareholders' ability to amend by-laws or requisition an extraordinary meeting of shareholders.

3. Asia-Pacific

3.1. Australia

Cardano is generally supportive of the ASX Corporate Governance Council's 2019 Corporate Governance Principles and Recommendations and other recognised best practice guidance.

Annual report and accounts

Australian companies are not required to submit their annual accounts and reports to a shareholder vote. However, where shareholder approval is required, abstention on this issue preserves shareholders' right to take legal action should irregularities be discovered at a future date. Cardano will vote on all proposals to approve the annual report and accounts on a case-by-case basis.

Corporate boards

- In view of the unitary structure of Australian company boards and the market best practice with respect to board composition, Cardano will expect the board to comprise a majority of independent non-executive directors. Cardano expects the chair of the board of a listed entity to be an independent director. All board committees should be composed of a majority of independent directors.
- Cardano may vote against the re-election of the members of the Audit Committee or the Chairman of the board if there is no auditor (re)appointment proposal on the shareholder meeting agenda and Cardano has concerns regarding the auditor's independence or the quality of the audit.

Remuneration

There is a 'two strikes' rule under Australian companies law whereby if 25% or more of shareholders vote against a company's compensation report at two successive AGMs, the board is obliged to submit a 'spill resolution' which would require the whole board, apart from the Managing Director, to stand for election at an EGM within 90 days. Cardano will decide how to vote on such resolutions and consider a number of factors including:

- Its voting decision on the remuneration report at the previous year's AGM;
- Its voting decision on the remuneration report at the current year's AGM;
- Any progress made by the company in remuneration matters since the previous year's AGM; and
- The company's broader performance.

Share-based incentive schemes for executives

There is no statutory or listing rule requirement for companies to seek shareholder approval of share-based incentive plans. Shareholder approval is usually sought so that options and other equity instruments issued under the plan do not count towards the 15% annual limit on the issuance of shares without pre-emptive rights, as allowed under the listing rules. Cardano is generally not supportive of this practice and would expect all share issuance to directors to be included in the dis-application limit.

The listing rules require that companies seek shareholder approval for any grant of options or shares to a director. This rule, however, does not apply if repurchased rather than newly issued shares are used for the grant. Cardano believes that all grants of equity-based awards should be approved by shareholders on an annual basis or, alternatively, under the terms of the scheme where shareholders' approval of the scheme was sought prior to its introduction. Cardano will vote against the approval of the remuneration report where equity-based awards to executive directors have not been approved by shareholders as stated above.

Cardano will expect all equity-based incentive schemes to observe the dilution limit of 10% of the issued ordinary share capital (adjusted for share repurchase and cancellation).

Some Australian incentive plans allow for vesting of equity incentives when a takeover bid is announced (regardless of whether it succeeds or not) or when a party acquires a shareholding below 50%. Cardano will vote against

incentive plans containing such early vesting provisions.

Cardano is generally not supportive of the use of loan-funded equity-based plans for executives. Any such proposal will be voted on a case-by-case basis.

Termination provisions and severance packages

The Corporations Act stipulates a requirement of shareholder approval for termination payments that exceed one year of the average salary for the previous three years of a director or an executive officer. Cardano will vote against proposals that allow for compensation on early termination of an executive's contract to exceed the equivalent of one year's salary and benefits (i.e. no bonus payment), unless there are exceptional circumstances which are clearly explained and are deemed acceptable. Cardano is supportive of the guidance that such agreements should clearly articulate performance expectations.

Capital-related proposals

Listing rules apply a general limit of 15% of the issued share capital in a 12-month period for share issues without pre-emptive rights. However, companies may seek shareholder approval to exclude a particular proposed issue of shares from the 15% limit. Cardano will vote on all proposals to issue shares without pre-emptive rights on a case-by-case basis.

Listing rules allow companies to request the ratification of previous share placements in order for that placement not to count towards their 15% allocation per 12 months allowed under the listing rules. Cardano will vote on all such proposals on a case-by-case basis taking into consideration the purpose of the placement and the dilution experienced by shareholders as a result.

Renewal of “proportional takeover” clause in constitution

The Australian Corporations Act allows a company to include in its constitution a clause which requires shareholder approval for a proportional (partial) takeover offer to be made. Under this type of clause, a proportional takeover offer cannot be mailed out to shareholders until after the company has held a general meeting at which shareholders vote on whether to allow the offer to be made. The clause can remain in the constitution for a maximum of three years. It is standard practice among ASX-listed companies to ask their shareholders to re-insert the clause into the constitution at every third AGM. Cardano generally supports such proposals.

3.2. China

Cardano is generally supportive of the 2018 Chinese Code of Corporate Governance for Listed Companies, the governance-related provisions of the PRC Company Law and Securities Law, guidelines from the China Securities Regulatory Commission and other best practice guidance.

Corporate boards

In China, there is predominantly a single board of directors. However, companies must also establish a supervisory board/committee that oversees the financial affairs of the company and supervises the board members and management. The supervisory board/committee is composed of shareholder and employee representatives. Directors and senior officers of the company may not serve on the supervisory board/committee.

- Under the guidelines of the China Securities Regulatory Commission, at least one-third of the board directors must be independent. Cardano would expect that Chinese listed companies comply with this.
- Where there is an insufficient number of independent non-executive directors on the board, Cardano will usually vote against the (re)election of non-independent director(s) in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- While there is no regulatory requirement to have independent directors on the supervisory board/committee, Cardano would expect that at least one-third of the supervisory board/committee members are independent.

- Cardano would expect that audit, remuneration and nomination committees comprise a majority of independent non-executive directors and be chaired by an independent director, as outlined in the Chinese Code of Corporate Governance for Listed Companies.
- When no consideration has been given by the company to enhancing diversity, we will consider voting against newly nominated, non-diverse directors and/or nominating committee members or chairman of the board.

Capital-related proposals

- Listed companies in China usually have A-shares and H-shares. A-shares are shares of companies based in China that are listed on either the Shanghai or Shenzhen stock exchanges. A-shares are generally only available to Chinese mainland investors, although overseas investors can own them through the Qualified Foreign Institutional Investor system. A-shares are quoted in Chinese renminbi. H-shares are shares of Chinese companies listed on the Hong Kong Stock Exchange. H-shares are open for purchase and trading to all investors and are quoted in Hong Kong dollars.
- Due to this structure, most companies listed in China also have a listing on the Hong Kong Stock Exchange to facilitate foreign investment.
- As a result of this, Cardano will vote on share (re)issuance and purchase authorities in line with its policy for the Hong Kong market.

Provision of loans and guarantees

It is common practice for Chinese companies to provide guarantees to subsidiaries and affiliated entities. As specified in the Code of Corporate Governance for Listed Companies, a listed company shall not provide financial guarantees for its shareholders or their related parties. Cardano will generally support the provisions of guarantees if they are proportionate to the company's net assets.

3.3. Hong Kong

In Hong Kong, Cardano is generally supportive of the Corporate Governance Code, the governance-related provisions of the Hong Kong Exchange Listing Rules, the Hong Kong Stock Exchange (SEHK) Environmental, Social and Governance Reporting Guide and other best practice guidance.

Corporate boards

Hong Kong companies have a unitary board structure. The SEHK listing rules require that for listed companies, there be at least three independent directors or one third of the board consisting of independent directors, whichever is greater. Cardano would expect the composition of the board to comply with the listing rules.

- Where there is an insufficient number of independent non-executive directors on the board, Cardano will usually vote against the (re)election of a non-independent director(s) in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- If an independent non-executive director has served more than nine years, the board should provide explanation why such director is considered independent and should be re-elected. Further appointment should be subject to a separate resolution to be approved by shareholders.
- Where all the independent non-executive directors have served more than nine years on the board, the company should appoint a new independent non-executive director on the board at the forthcoming annual general meeting.
- Cardano would expect that the audit, remuneration and nominations committees comprise a majority of independent non-executive directors and that the audit and remuneration committees be chaired by an independent non-executive director. The nomination committee should be chaired by the chairman of the board or an independent non-executive director.
- Cardano expects that issuers with single gender board appoint at least one director of a different gender. When no consideration has been given by the company to enhancing diversity, we will consider voting against newly nominated directors and/or nominating committee members or chairman of the board.

- Cardano would vote against the (re)election of a former partner of the company's external auditor to the board and/or audit committee if less than three years have passed since his/her ceasing to be a partner of or having any financial interest in the audit firm and there is an insufficient number of independent directors on the board.

Capital-related proposals

Hong Kong companies routinely seek shareholder approval of share issuance and repurchase authorities up to the maximum limits allowed under the listing rules, i.e.:

- To issue shares up to 20% of the issued share capital without pre-emptive rights;
- To repurchase shares of up to 10% of the issued share capital; and
- To reissue repurchased shares by extending the share issuance authority to include the number of shares repurchased (up to 10% of the issued share capital), thus bringing the share issuance authority to 30% of the issued share capital.

These authorities are routinely sought at least once a year at the AGM but may be renewed at an EGM during the year; there is no limitation on the number of renewed authorities the company can seek in any one year. The shares may be (re)issued at the maximum of 20% discount to the market price (or more under special circumstances).

Due to the evidence of past abuse of the authorities to (re)issue shares without pre-emptive rights by Hong Kong companies, Cardano will vote on share (re)issuance and repurchase authorities as follows:

- In favour of the aggregate issuance and re-issuance authorities up to 10% or less of the issued share capital where shares are issued at the maximum discount of 10% to the market price, provided there is no history of renewing the share issuance mandates several times within a period of one year.
- Against all authorities to issue shares without pre-emptive rights where there is a history of renewing the share issuance mandates several times within a period of one year, unless granting the authority is considered to be in the best interests of shareholders.
- In favour of routine authorities to enable the management to repurchase shares in the open market up to 10% of the issued share capital in any one year, where the minimum and maximum price which may be paid for each share (as a percentage of the market price) is specified and deemed acceptable (typically between 90% and 110% of the market price), unless there is a clear evidence of past abuse of such an authority.
- Case-by-case in all other instances.

3.4. India

Cardano is generally supportive of the 2009 Corporate Governance Voluntary Guidelines, as well as the corporate governance provisions contained in the Companies Act 2013 and the Listing Agreement.

Corporate Boards

Indian companies are often characterised by concentrated ownership structures where large holding entities or groups of individuals (known as promoters) constitute the largest shareholder. This renders an assessment of the level of independence on the board particularly important. The Companies Act stipulates board tenure as a criterion for assessing independence, stating that independent directors may serve two consecutive terms of five years, meaning that after this time, they are not considered independent.

Under the Listing Agreement, where the chair of the board is an executive or affiliated with a promoter, the board should be at least 50% independent. In other cases, the board should be at least 33% independent. Cardano may withhold support for the election of non-independent directors where these requirements are not met.

Under Indian regulations, the audit committee and the compensation committee should both be at least 66% independent, and the nomination committee should be majority independent. Cardano may withhold support for a non-independent member of one of these committees where these requirements are not met.

Appointment of external auditors and auditors' remuneration

When considering proposals to reappoint auditors, Cardano will take into account the company's disclosure as to the payment of non-audit fees, in line with its general guidelines. In particular, Cardano expects a company to disclose audit fees for the preparation of consolidated company statements and not just parent company statements and will take into account the absence of such information in making a voting decision.

Capital-related proposals

Cardano may support proposals to issue shares and/or convertible securities without rights of pre-emption if they do not exceed 20% of the issued share capital.

In considering proposals to issue non-convertible debentures, Cardano will consider a number of factors including the company's current level of indebtedness, the upper limit on the authority, the terms of the issuance and, for financial institutions, the alignment between capital adequacy ratios and any applicable regulatory limits. Cardano may withhold support for such proposals when the company fails to provide sufficient information on these and other material factors.

Non-executive directors' commission

Non-executive directors in India may be paid by way of commission calculated as a percentage of net profits. Under the Companies Act, commissions will be limited to 1% of net profits if the company has a managing director and 3% in other cases. In assessing commission proposals, Cardano will consider their proportionality to the board commitments of the directors and how the commission compares with levels provided by peer companies.

3.5. Indonesia

Cardano is generally supportive of Indonesia's Code of Good Corporate Governance 2006, the Indonesia Corporate Governance Manual, and the governance-related provisions of the Company Law, the Capital Market Law, the Bapepam Rulebook and the Financial Services Authority's (OJK) regulations.

Cardano also supports the further promulgation of corporate governance best practice through the OJK's Indonesia Corporate Governance Roadmap, published in 2014, and the accompanying Indonesia Corporate Governance Manual, second edition, released in June 2018. We note that the OJK is in the process of implementing aspects of the Roadmap and that since 2017, listed companies have had to disclose whether they comply with aspects of the OJK's governance-related rules and regulations.

Annual reports and accounts

Cardano will vote against the annual report and accounts if the documents (or their draft versions) are not disclosed in time for review prior to the voting deadline.

Allocation of profits and dividends

It is common market practice that companies announce information on allocation of profits and dividends at the annual general meeting. Cardano will normally support this proposal if information on past dividend distribution practices is provided and we consider the past dividend pay-out ratio to be financially sustainable.

Corporate boards

Indonesian companies usually have a two-tier board structure comprising the board of directors (also known as the management board in other markets) and the board of commissioners (also known as the supervisory board in other markets). The board of directors is responsible for the day-to-day management of the company while the board of commissioners oversees the performance of the board of directors.

- Indonesian companies sometimes do not provide the identities of the directors or commissioners standing for election in a timely manner for the general meeting. Cardano will vote against the slate(s) of directors and/or commissioners if the identities and/or biographical information of those up for (re)election are not disclosed ahead of the voting deadline.

- In line with OJK regulations, Cardano expects that at least 30% of the directors on the board of commissioners are independent, for non-bank companies, and that at least 50% are independent for banks.
- Where there is an insufficient number of independent directors on the board of commissioners, Cardano will usually vote against the (re)election of a non-independent director(s) or, in certain cases, the entire slate in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- In line with the listing rules, Cardano expects that the audit committee should be chaired by an independent commissioner. Cardano understands that other members of the audit committee can be appointed from outside the company. Overall, Cardano expects that the majority of audit committee members are independent.
- Cardano supports the Code of Good Corporate Governance recommendation that non-bank companies also establish a nomination and remuneration committee that is chaired by an independent commissioner. We note that public banks, under Indonesia regulation, must have a nomination and remuneration committee that is chaired by an independent commissioner and has no director as member.

Remuneration

Indonesian companies generally seek shareholder approval on the board of commissioners' and the board of directors' total remuneration. However, many companies do not disclose the proposed fees and, if the proposed fees are disclosed, companies do not always provide a breakdown between the board of commissioners and the board of directors. Cardano encourages companies to provide more in-depth disclosure of remuneration fees, including a breakdown of fees.

Cardano will make a case-by-case assessment of the overall remuneration arrangements before making a voting decision, analysing the company's recent remuneration practices and comparing the level of fees with other companies.

Ratification of auditors

Cardano understands that many Indonesian companies do not disclose the name of the external auditor that they plan to appoint for the next fiscal year. While this is common market practice, it makes it difficult for shareholders to make an informed voting decision. Furthermore, due to OJK regulations, abstentions in Indonesia are counted among votes for the proposal. As such, Cardano will vote against the appointment of the external auditor if there is no information available on the intended auditor by the voting deadline.

Non-audit services that external audit firms may provide are restricted under the Bapepam-LK regulation and the provision of these types of services is therefore not common in Indonesia. Nonetheless, Cardano will take into account the fees paid to the auditor for the provision of the audit and non-audit services during the year under review when voting on the ratification of the external auditor/the authority to set the audit fees.

Cardano may vote against the appointment of the auditor/the authority to set audit fees if the fees paid to the external auditor have not been disclosed in the annual report and financial statements.

3.6. Japan

Cardano is supportive of Japan's 2021 Corporate Governance Code and takes into consideration the spirit and underlying principles of regulatory developments.

Corporate boards

Under the Japan Corporate Act, there are three possible board structures that Japanese companies may adopt: the most common two-tier structure with directors (who have voting rights) and statutory auditors (who have no voting rights); a one-tier structure with the standard three committees (ie. audit, remuneration and nominations committees) that was introduced in 2003; and the audit and supervisory committee structure, which is a new option created in 2015. Cardano will vote against the management in the following way where less than one-third of the board is independent:

- Where it is a large board, Cardano will vote against only so many (newly and previously nominated) non-independent (executive or non-executive) nominees as would bring the board to an acceptable level of independence; and

- Where it is a smaller board, Cardano will vote against the nomination committee chairman (even if they are the board chairman) or, if there is no nomination committee, the board chairman.
- Where no consideration has been given by the company to enhancing diversity, Cardano will vote against newly and previously nominated nominees. If there are no new nominees, Cardano will vote against the nomination committee members. If there is no nomination committee, Cardano will vote against the board chairman.

A 'smaller board' for these purposes is one where the functioning of the board would be significantly impaired by voting off the relevant number of executive directors.

For election of statutory auditors, Cardano will look favourably upon boards that exceed the minimum requirement of at least half outsiders.

Cardano will support:

- companies adopting a three-committee board structure;
- management resolutions to adopt a three-committee board structure; and
- resolutions reducing the frequency of director re-elections from the normal two years to one year.

Cardano will vote against:

- directors where the board has more than 20 members; and
- resolutions seeking to require a supermajority to remove directors.

Remuneration

Disclosure by Japanese companies on remuneration matters is relatively sparse. Cardano encourages companies to provide more detail on the remuneration policy, structures and proceeds.

Cardano will support:

- articles eliminating the provisions for the payment of retirement bonuses to directors and statutory auditors. If a one-off bonus is proposed as part of this resolution, it will only be supported if the bonus amounts are disclosed and the recipients are not outsiders; and
- proposals for bonuses of executive board members to be paid in restricted shares.
- Cardano will oppose traditional stock option plans that allow for options to be granted to outsiders.

Capital-related proposals

Cardano will oppose requests for capital increases if management proposes:

- To raise the ceiling by more than 100% for unspecified purposes;
- To create a new class of shares, other than in the case of a company needing to issue non-voting shares as part of a financial rescue.

Cardano will support proposals to authorise the repurchase of up to 10% of outstanding shares but only if the authority is for no longer than one year.

Cardano reserves the right to vote against the re-election of directors when a company proposes an issuance of new shares that causes significant dilution but does not provide a sufficient explanation for that issuance.

Anti-takeover provisions/Shareholder rights plans

Cardano will normally oppose the introduction or renewal of anti-takeover measures. This opposition may also be expressed by voting against the re-election of directors.

Changes to the articles of association and by-laws

Cardano will normally oppose:

- resolutions seeking to indemnify the directors and statutory auditors against derivative shareholder lawsuits, but reserves the right to support this measure in order to facilitate the appointment of more outside directors and external statutory auditors;
 - resolutions seeking to indemnify the public (external) auditors against derivative shareholder lawsuits; and
 - proposals to limit the number of representatives that a shareholder can appoint to vote at a general meeting.
- Cardano will normally support:
- proposals seeking to bring the record date closer to the date of the annual general meeting;
 - proposals adding new lines of business as long as they are in line with the company's stated strategy; and
 - proposals allowing smaller tradable lots of shares.

3.7. Malaysia

Cardano is generally supportive of the Malaysian Code on Corporate Governance (the Code) and the corporate governance provisions in the Bursa Malaysia Listing Requirements, the Capital Markets Services Act and the Companies Act.

Corporate boards

Malaysian companies generally have a unitary board comprising executive and non-executive directors. Under the Listing Requirements, companies should have at least two independent non-executive directors or one third of the board should comprise independent directors, whichever is higher. Under the Code, at least half of the board should be independent at all companies and a majority of the directors on the board should be independent at 'Large Companies' (ie. those in the FTSE Bursa Malaysia Top 100 Index or with a market capitalisation of RM 2 billion and above). The Code also requires that the board has at least 30% of women directors. Cardano may vote against the (re)election of non-independent directors where the level of independence on the board is lower than the specifications of the Code and the Listing Requirements.

- Cardano expects a majority of audit committee members to be independent non-executive directors. Cardano may vote against the appointment of a former key audit partner that has not had a two-year cooling-off period before appointment to the audit committee.
- Cardano expects that remuneration and nomination committees should be composed solely of non-executive directors, a majority of whom are independent.
- The Code recommends that an independent director serve on the board for no longer than nine years and that, after this period, they should no longer be regarded as independent. Cardano will evaluate proposals to retain a director on the board who has served for more than nine years as an independent director on a case-by-case basis, taking into account various factors, including the justification offered by the board, the director's attendance record and level of independence on the board if the candidate were to step down.

Capital-related proposals

Cardano will support routine proposals to issue shares without pre-emptive rights up to 10% of the issued share capital. Cardano will consider any requests to issue shares in excess of this limit on a case-by-case basis.

Under the Listing Requirements, a company may purchase shares worth up to 10% of the issued share capital over a specified period if authorised by shareholders. Cardano may support such proposals if they offer clarity as to upper limits of the authority in terms of volume and repurchase price.

3.8. New Zealand

Cardano is generally supportive of the NZX Corporate Governance Code 2017 and The New Zealand Securities Commission's Corporate Governance in New Zealand: Principles and Guidelines and other best practice guidance.

Corporate boards

New Zealand companies have a unitary board structure. In line with market best practice, Cardano would expect the board of directors to comprise a majority of non-executive directors and a minimum one third independent directors.

Cardano would expect the companies to create separate nomination, remuneration and audit committees. Furthermore, we would expect the audit committee to comprise only non-executive directors, a majority of whom are independent, and the audit committee chairman to be independent and not serve as the chairman of the board. A majority of members of the remuneration committee and nomination committee should be independent directors.

Capital-related proposals

Changes in NZSX Listing Rules have significantly reduced the protections available to shareholders by:

- Removing the requirement for prior approval of director participation in private placements;
- Increasing the amount of capital that listed entities may issue over 12 months without prior approval or pre-emptive rights under a placement from 15% of issued capital to 20%; and
- Significantly increasing the threshold above which related-party transactions require prior approval from 5% of average market capitalisation to 10%.

The rules also removed the requirement for prior approval of executive directors' participation in employee share schemes.

Cardano will vote on proposals to amend the articles of association so as to take advantage of these changes on a case-by case basis.

3.9. Philippines

Cardano is generally supportive of the provisions contained in the Corporation Code of the Philippines, the Securities Regulation Code, the Philippine Stock Exchange Listing Rules, the Philippine Code of Corporate Governance and the Philippine Guidelines on Nomination and Election of Independent Directors.

Corporate boards

Companies have a one-tiered board structure. Under the Code of Corporate Governance, at least thirty percent of the board or three members should be independent directors, whichever is higher. The Code also states that the roles of the chairman and CEO should be separate.

Cardano may vote against the (re)election of non-independent directors where the level of independence on the board is lower than the specifications of the Code of Corporate Governance.

Cardano expects at least one woman to sit on the board of directors.

There should be an audit committee established, as well as a nomination committee and a remuneration committee or a governance committee performing the tasks of the latter two committees. All these committees should consist of a minimum of three non-executive directors, and the majority of directors should be independent, including the committee chair. The audit committee chair should not serve as a chair of the board or a chair of any other committee.

Subject to a corporation's size, risk profile, nature and complexity of operations, the board is also advised to establish a separate Board Risk Oversight Committee (BROC). It should consist of a minimum of three directors, the majority of whom are independent directors, including the committee chair.

Ratification of previous corporate acts

Cardano will support routine proposals to ratify the acts and resolutions referred to in the proposal that have been done in the ordinary course of the business.

3.10. Singapore

Cardano is generally supportive of the 2018 Singapore Code of Corporate Governance and other best practice guidance.

Corporate boards

Singapore companies have a unitary board structure. Cardano would expect that the majority of board members are non-executive and that independent non-executive directors represent at least one-third of the board or make up a majority of the board where the chairman is not independent.

Remuneration

Cardano expects companies to set a specified limit on the number of shares to be used under any proposed equity-based incentive scheme, regardless of whether it is proposed to use newly issued or repurchased shares and will vote on all new incentive scheme proposals accordingly.

Termination provisions and severance packages

Cardano is supportive of the best practice recommendation that notice periods in service contracts should be set at a period of six months or less, or reduced to six months or less after the initial longer notice period.

Capital issuance proposals

Cardano understands that in Singapore, it is normal practice for companies to seek, on an annual basis, authority to allot shares up to a maximum of 50% of the company's issued share capital, of which 20% may be issued without pre-emptive rights. Cardano will decide on any share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

In addition to general issuance authorities, companies often seek specific issuance authorities in relation to equity-based incentive plans (usually for up to 15% of the issued share capital allowed under the listing rules) and to a bonus issue, rights issue or the financing of an acquisition or merger if it requires share issuance in excess of the limits in the general mandate. Cardano believes that all new shares used under equity-based incentive schemes should be covered by the general mandate and will consider any such proposal on a case-by-case basis, taking into consideration the size of the general mandate requested by the company. All decisions on the share issuance authority with respect to a bonus issue, rights issue or the financing of a major transaction will be taken on a case-by-case basis.

3.11. South Korea

Cardano is generally supportive of Korean Code of Best Practices, Korea Stewardship Code and the governance-related provisions of the Commercial Act and other best practice guidance.

Annual report and accounts

Due to reporting timeframes under Korean regulations, companies may publish unaudited financial statements in their AGM notices with or without a note on the status of the audit. The auditor's report is published seven days prior to the AGM. Therefore, the audited accounts are often not available ahead of the voting deadline. In addition, the approval of the annual report and accounts and the proposed dividend are usually bundled into one resolution on the AGM agenda. Cardano will consider voting against the annual report and accounts where the company does not provide some indication about the status of the audit of the financial statements ahead of the voting deadline, including when the company bundles the approval of the dividend with the proposal to approve the report and accounts.

Corporate boards

Korean listed companies have a single-tier board of directors. Under the Commercial Act, a listed company with assets over KRW 2 trillion is considered a 'large company' and is required to appoint at least three independent directors. For large companies, the majority of directors must be independent. For companies with assets below

KRW 2 trillion, at least one-quarter of the directors must be independent. The Korean Code of Best Practices for Corporate Governance recommends that a listed company should have two or more independent directors on the board. Cardano would expect that Korean listed companies comply with these rules and guidelines.

- Where there is an insufficient number of independent non-executive directors on the board, Cardano will usually vote against the (re)election of non-independent non-executive directors in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- Cardano would expect that all Korean listed companies establish an audit committee, a remuneration committee and a nomination committee, as recommended by the Korean Code of Best Practices for Corporate Governance.
- Cardano expects that the audit and remuneration committees solely comprise independent directors and that the majority of members of the nomination committee are independent.
- Cardano is supportive of efforts to seek the separation of the roles of chairman and CEO. Cardano will support the appointment of a lead director for large companies with a combined CEO/chairman, as recommended by the Korean Code of Best Practices for Corporate Governance.

Mergers, acquisitions and corporate restructuring

Cardano understands that in recent years, South Korea has experienced a number of corporate restructurings and/or mergers among and within family-owned conglomerates known as 'chaebols'. Cardano will evaluate any proposed merger, acquisition or corporate restructuring in line with its general policy, ensuring that any activity adds shareholder value and is in the best interests of the company.

3.12. Thailand

Cardano is generally supportive of the governance-related provisions in the Public Limited Companies Act, the 2017 Corporate Governance Code, the Securities Exchange Act and other regulations published by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). Cardano also supports the SET's corporate governance best practice guidelines, including its Principles of Good Corporate Governance for Listed Companies.

Annual report and accounts

Under Thai law, companies are required to publish the meeting notice and agenda at least seven days prior to a general meeting of shareholders. If there is a special resolution, then the materials must be published at least 14 days prior to the meeting. Annual reports and accounts are sent to shareholders with the notice of the annual general meeting. Due to this timeframe, shareholders may not have adequate time to make an informed decision on various agenda items for an annual general meeting.

Cardano supports the SET's Principles of Good Corporate Governance for Listed Companies recommendation that companies should publish the notice of the annual general meeting at least 28 days prior to the meeting.

- If the current fiscal year's annual report and accounts are not available before the voting deadline, Cardano will base its analysis of the issues under consideration at the general meeting on the company's filings and information disclosed with the Stock Exchange of Thailand.
- If approval of the annual report and accounts is a voting agenda item and the company has not published its annual report and accounts (or a draft version) ahead of the voting deadline, then Cardano may vote against the approval of the annual reports and accounts.

Corporate boards

Thai listed companies have a single-tier board of directors. SEC regulation requires that at least one-third of the board (and no less than three directors) is/are independent.

- Cardano supports the SET's Principles of Good Corporate Governance for Listed Companies recommendation that at least 50% of the board should be independent if the chairman is not independent.

- Where there is an insufficient number of independent non-executive directors on the board, Cardano will usually vote against the (re)election of non-independent director(s) in order to encourage a board composition with an appropriate balance of independent and non-independent directors. Cardano expects that companies have an audit committee composed of independent directors and no less than three members, as stipulated in SEC and SET regulations.
- Cardano supports the Principles of Good Corporate Governance for Listed Companies recommendation that companies have a remuneration and a nomination committee. Cardano expects that the majority of the members of the remuneration and nomination committees, including the chairman of each committee, are independent and that the chairman of the board does not sit on these committees. The board is expected to establish an audit committee that would comprise at least three members, all of whom must be independent directors.
- Upon completing nine years, an independent director may continue to serve on the board, subject to the board's rigorous review of his/her continued independence.

Remuneration

Cardano understands that the payment of performance-related bonuses to non-executive directors is common practice in Thailand. However, in line with its general voting policy, Cardano will normally vote against remuneration proposals which allow for performance-related incentives for non-executive directors due to concerns that this may compromise their independence.

3.13. Taiwan

Cardano is generally supportive of the 2018 Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (the 'Principles') and the governance-related provisions of the Company Act, the Securities and Exchange Act and the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange (TPEX) listing regulations.

The level of disclosure on management proposals can sometimes be an issue at Taiwanese companies and Cardano will consider whether the information provided is sufficient to allow shareholders to make a sound choice.

Corporate Boards

Taiwanese listed companies may either have a two-tier board comprising the board of directors and the supervisors or an audit committee system where the supervisors are replaced by an audit committee. If the company selects the latter option, the audit committee must be fully independent under the Company Act.

- Under the Principles, the board should have at least two independent directors and at least one-fifth of the board should be independent. Cardano expects boards to abide by this aspect of the Principles.
- Cardano may withhold support for a candidate for election to the board if the company does not disclose its name or sufficient biographical information to permit shareholders to make a sound choice.
- The Principles state that it is inappropriate to combine the role of general manager and chairman and there should be a clear division of responsibilities between the two. Cardano is supportive of efforts to seek the separation of the roles of the chairman and CEO.
- Company law provides that shareholders must approve of the essential contents of all acts that a director carries out while working with an external entity, but which also fall within the scope of the company's business. This is designed to prevent directors from working in a competing role. Accordingly, shareholders are often asked at general meetings to release directors from these non-compete restrictions.
- Cardano may support such proposals if sufficient information is provided on the nature of the director's current or potential other commitments and if neither of such commitments represents direct competition with the company (for example, if they are with another entity in the same group or in a completely unrelated industry).
- Cardano may not support such proposals where there are concerns about the director's aggregate time commitments or their record of attendance at board meetings.

Capital-related proposals

Cardano may support proposals to issue shares without pre-emption rights if they do not exceed 20% of the issued share capital.

Amendments to company procedures

In considering proposals to amend rules and procedures governing general meetings, director elections, the acquisition and disposal of assets, loans and endorsements and guarantees, Cardano expects clear disclosure on the nature of the proposed changes and tends to support changes that have a positive or neutral effect on the interests of shareholders, reflect changes in regulation or are purely technical in nature.

4. Continental Europe & UK

Cardano supports the provisions of the EU Transparency Directive and the Capital Requirements Directive (CRD) IV for financial institutions, which add to the European Commission's principles on remuneration in financial institutions. The EU Shareholder Rights Directive II (SRD II) amends the first Shareholder Rights Directive which came into effect in 2007, with the objective of improving corporate governance in companies whose securities are traded on EU regulated markets. SRD II establishes requirements in relation to the exercise of certain shareholder voting rights attached to voting shares of companies which have their registered office in a member state. SRD II also establishes specific requirements to encourage long-term shareholder engagement.

Cardano welcomes the latest requirements aimed at encouraging shareholder engagement, in particular for the long-term.

In addition, Cardano welcomes the new requirements aimed at allowing shareholders to vote on the company's remuneration policy for directors and that directors are paid in accordance with the remuneration policy approved at the general meeting. Cardano expects companies to meet all the SRD II requirements. If companies fail to meet the new remuneration-related requirements, Cardano will consider voting against members of the compensation committee or the chairman of the board if appropriate.

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4.1. Austria

In addition to applicable laws, regulations and governmental initiatives in the area of corporate governance and the protection and enhancement of shareholder rights, Cardano is generally supportive of the recommendations set out in the Austrian Code of Corporate Governance and other best practice guidance.

General

Cardano would expect that all items for which shareholder approval is necessary are subject to a simple majority requirement rather than a stricter majority requirement.

Corporate boards

A dual-board system, comprising the management board and the supervisory board, is prescribed by law for Austrian stock corporations. The co-determination rights of employees' representatives on the supervisory board form part of the statutory Austrian system of corporate governance. The employees' representatives are entitled to appoint to the supervisory board one member from among their ranks for every two members appointed by the general meeting (but not external members from the trade union). The one-third parity representation rule also applies to all committees of the supervisory board, except for meetings and votes relating to the relationship between the company and the management board members, with the exception of resolutions on the appointment or

revocation of an appointment of a member of the management board and on the granting of stock options. Employee representatives exercise their functions on an honorary basis and their appointment may be terminated at any time only by the works council.

- Cardano would expect the majority of the supervisory board members elected by the general meeting or delegated by shareholders to be independent of the company and its management board.
- Cardano notes that the Austrian Code of Corporate Governance recommends that, in the case of companies with a free float of more than 20%, the members of the supervisory board who are not employee representatives shall include at least one independent member who is not a shareholder with a stake of more than 10% or who represents such a shareholder's interests. In the case of companies with a free float of over 50%, at least two members of the supervisory board must meet these criteria. Cardano does not consider a representative of a major shareholder to be independent and, therefore, would expect the majority of non-employee representatives on the board to be independent from both management and major shareholders of the company.
- Cardano believes that the current practice of five-year terms for supervisory board members – the legal maximum – facilitates the entrenchment of the supervisory boards and will, therefore, strongly support and encourage shorter terms.
- Cardano would expect the main supervisory board committees be composed of a majority of independent directors, which means that we would expect all non-employee representatives on the committees to be independent.

Capital-related proposals

Cardano would expect all authorities to increase the share capital (with or without pre-emptive rights) to be presented to shareholders' approval at the general meeting and renewed on a regular basis, including in those cases where the supervisory board's authorisation would be sufficient to comply with the law.

4.2. Belgium

In Belgium, Cardano is generally supportive of the principles and recommendations set out in the 2020 Belgian Code on Corporate Governance. Cardano also expects to support the new Code on Companies and Associations when it entered into force in 2020. Cardano understands that the Belgian Banking, Finance and Insurance Commission (CBFA) recommends that listed companies disclose relevant information about their corporate governance rules and practices in accordance with the provisions of the Code. Cardano welcomes the fact that companies are expected to comply with the disclosure provisions in the Corporate Governance Statement of their annual report.

Corporate boards

Currently, Belgian companies have a unitary board structure. The new Code on Companies and Associations allows companies to opt for either a unitary or a two-tier structure. Cardano believes that, while it is the board's responsibility to propose the option that is appropriate for the company, shareholders should be given an opportunity to vote on any changes in the board structure.

- In a one-tier structure, the board of directors should comprise a majority of non-executive directors and at least three directors should be independent. Cardano expects the roles of chair of the board of directors and CEO should not be held by the same individual.
- Cardano is not in favour of cross-shareholdings and administrateurs réciproques (reciprocal board directors) and will vote against the election of directors who have such connections with the company, except in the case of a joint business venture.
- The nomination and remuneration committees may be combined. We believe that the board chairman should not serve on the audit committee and that a representative of a large shareholder should not be the audit committee chairman.
- The audit, remuneration and nomination committees should be composed of at least three board members. A nomination committee should comprise a majority of independent non-executive members.

Remuneration

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Cardano would expect members of the executive management to hold a minimum of shares until the end of their tenure.

Cardano would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

Cardano will normally vote against any remuneration policy which allows for severance payments to executive directors to exceed one year's total remuneration.

Cardano may consider supporting severance packages that are limited to a maximum of 18 months of basic and variable remuneration if there is an appropriate justification that is deemed acceptable. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance, if he/she decided to leave the company or has been promoted.

Cardano will support proposals to limit any compensation payments in the event of early termination to one year's salary and benefits (excluding bonus).

Capital-related proposals

Cardano will normally vote against capital issuance proposals with pre-emptive rights and priority subscription periods which can represent more than 50% of the issued share capital when the issuance is not intended for a specific purpose.

Cardano will normally vote against capital issuance proposals without pre-emptive rights which can represent more than 10% of the issued share capital when there is no formal explanation and justification.

Cardano will decide on any other share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

Cardano will vote against any share re-purchase request that does not clearly specify whether the share re-purchases will be allowed during a takeover period. Equally, Cardano will vote against any share re-purchase request that would allow share re-purchases during a takeover period.

Anti-takeover measures

Cardano is opposed to the practice of poison pill defences, such as:

- Authorising the board of a company that is subject to a hostile takeover bid to issue warrants that are convertible into shares to existing shareholders. This would make an offer de facto more expensive; and
- Authorising in advance the board to buy-back shares during a takeover period.

4.3. France

Cardano is supportive of the corporate governance principles in the revised January 2020 AFEP and MEDEF code. Cardano expects companies to explain why and to what extent they deviate from these principles. Cardano welcomes the MEDEF recommendations on executive remuneration and the Fédération Bancaire Française (FBF's) Code of Ethics aimed at regulating the remuneration of traders and other investment bank professionals. Cardano further acknowledges the 2013 law on safeguarding employment that provides for enhanced employee representation on the boards of listed companies.

The Florange Law has made available double voting rights for registered shareholders in listed companies. Cardano invites companies which did not integrate double voting rights in their by-laws prior to this law to submit to shareholders' vote at their general meeting a resolution restoring the principle of 'one share, one vote'.

Corporate boards

French law offers companies (sociétés anonymes) the option between a unitary board structure and a two-tier formula. Cardano believes that, while it is the board's responsibility to propose the option that would be appropriate for the company, shareholders should be given an opportunity to vote on any changes in the board structure.

- French legislation allows for the appointment of one or more employee shareholders to the board if employee shareholdings exceed 3%. Cardano will support the appointment of employee directors to the board in a number that adequately reflects the share ownership structure.
- In widely held companies with a unitary board structure, Cardano would expect the majority of directors to be non-executive and at least half of directors to be independent, which reflects market best practice. In widely held companies with a dual-board structure, Cardano will expect all supervisory board members to be non-executive and at least half to be independent. For controlled companies, Cardano expects at least one third board independence with respect to both types of board structure.
- Cardano is not in favour of cross-shareholdings and administrateurs réciproques (reciprocal board directors) and will vote against the election of directors who have such connections with the company except in the case of a joint business venture.
- Cardano is supportive of the recommendation that each board appoints a nomination, an audit and a remuneration committee. Cardano believes that executives should not serve on either the audit or remuneration committees and that a representative of a large shareholder should not be the audit committee chairman.

Remuneration

In France, 'say-on-pay' has two components – one advisory and one binding. Advisory say-on-pay proposals seek shareholder approval on amounts paid to company executives during the past fiscal year. Shareholders are also asked to vote on a binding resolution to improve the remuneration policy, which should provide a framework for managing executive remuneration.

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Cardano would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Cardano expects that companies propose to their shareholders an "ex ante" vote on a three-year compensation policy. Cardano supports an annual "ex post" vote on the implementation of the compensation policy.

Cardano notes the implementation of the CRD IV through Ordinance n°2014-158 (20 February 2014) and expects financial sector companies to comply with all the requirements that apply to identified staff.

Termination provisions and severance packages

Cardano will vote against any proposal for a severance package which exceeds two years of an executive's total remuneration. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; change his/her position; or is entitled to exercise his/her rights to pension in the near future.

Cardano expects contractual benefits or severance pay to be disclosed in the company annual report.

Capital-related proposals

In France, shareholders' attention has been particularly focused on capital increase requests, with or without preferential subscription rights. Investors are increasingly concerned by measures that can restrict or dilute their voting rights. They understand that French companies have historically and routinely asked for large issuance requests. However, it seems that companies are now moving towards better practices. Cardano's view on share issuances with or without pre-emptive rights reflects the recommendations of the Association Française de la Gestion Financière (AFG):

- Cardano will normally vote against capital increases with pre-emptive rights and with priority subscription periods which can represent more than 50% of the issued share capital when the issuance is not intended for a specific purpose.
- Cardano will normally vote against capital increases without preferential subscription rights which can represent more than 10% of a company's issued capital when there is no formal explanation and justification.
- Cardano will decide on any other share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.
- Cardano will vote against any share re-purchase request that does not clearly specify whether the share re-purchases will be allowed during a takeover period.
- Cardano will vote against any share re-purchase request that would allow share re-purchases during a takeover period.
- Cardano will vote against authorisations of capital increase through private placement except in situations fully justified by the company.

Anti-takeover measures

Cardano is opposed to the practice of poison pill defences, such as:

- Authorising the board of a company that is subject to a hostile takeover bid to issue warrants that are convertible into shares to existing shareholders. This would make an offer de facto more expensive; and
- Authorising in advance the board to buy-back shares during a takeover period.

Related-party transactions

Listed companies in France must follow special procedures for the approval of regulated related-party transactions (RPTs). Such transactions may include agreements between companies; remuneration of board members; retirement and severance agreements; loans; rental agreements and other self-dealing transactions. The chairman must inform the external auditor of all RPTs and the auditor must disclose them in a special report that is presented for shareholder approval at the AGM.

Cardano will normally vote in support of related-party transactions unless they are poorly detailed in the auditor's special report and/or not included in their entirety in the annual report.

4.4. Germany

In addition to applicable laws, regulations and governmental initiatives in the area of corporate governance and the protection and enhancement of shareholder rights, Cardano is generally supportive of the principles and recommendations set out in the German Corporate Governance Code last revised in April 2022.

Corporate boards

A dual-board system, comprising the management board and the supervisory board, is prescribed by law for German stock corporations. The members of the supervisory board are elected by shareholders. In enterprises with more than 500 employees, the latter are also represented on the supervisory board, which is then composed of one third of employee representatives, or one half if the company has more than 2000 employees. In rare cases, employee representatives can outnumber representatives elected by shareholders.

- Cardano would expect the supervisory board to include an adequate number of independent members. In view of the co-determination rule, we believe it would be reasonable to expect at least one-third of the supervisory board members to be independent.
- Cardano believes that no more than two former members of the management board should be members of the supervisory board. However, we would expect an appropriate cooling-off period between the individual's resignation as a management board member and his/her appointment to the supervisory board unless the company has provided a convincing justification for a direct transition.
- Cardano believes that the current practice of five-year terms for supervisory board members – the legal maximum – facilitates the entrenchment of the supervisory boards and will, therefore, strongly support and encourage shorter terms.
- Cardano would expect that the audit and nomination committees are composed of and chaired by independent directors.

Remuneration

German top executives receive most of their remuneration in cash based on the company's performance over one year. Where long-term incentives exist, they are rarely linked to clearly defined performance targets.

The 2022 Code states (Principle 24): The General Meeting adopts advisory resolutions on the approval of the remuneration system for the Management Board members prepared by the Supervisory Board, as well as proposing resolutions on the approval of the remuneration report for the preceding financial year. (This paragraph reflects the status of the ARUG II government bill.)

Recommendation G6 states that: The share of long-term variable remuneration shall exceed the share of short-term variable remuneration.

- Cardano will give consideration to company disclosure of performance measures and targets attached to variable pay and the presence of caps for the individual elements of management board member compensation packages.
- In the absence of a resolution on executive remuneration on the agenda, Cardano may vote against the discharge of the supervisory board if continuing concerns with management board pay are not resolved, or if there are emerging features of remuneration disclosure and practice which deviate from Cardano's policy.
- Cardano will withhold support from the ratification of supervisory board acts in cases where the supervisory board has failed to address a high proportion of votes against previous advisory votes on remuneration. If a significant proportion of shareholders has previously voted against the remuneration policy, we expect that the supervisory board would take steps to address the source of these concerns. This can happen, for example, through a change in remuneration policy or an explanation of the rationale for its continuation in the next annual report.
- Cardano is not supportive of the short-term variable pay elements (e.g. based on dividend or earnings targets) for supervisory board members and prefers supervisory board members to receive fixed pay only. Cardano would, however, support incentive elements in the pay package if they consist of a defined number of restricted shares to be held until the term of office finishes. Cardano will consider a long-term variable pay element for supervisory board members on a case-by-case basis.

Termination provisions, disclosure and severance packages

Cardano will vote against any remuneration policy which allows for severance payments to executives to exceed the value of two years' compensation and compensate more than the remaining term of the contract (if less than two years). Cardano will support proposals to limit any compensation payments in the event of early termination to one year's salary and benefits (excluding bonus).

Cardano will support proposals to reduce the appointment period for management board members below the traditional five years and would expect companies to gradually introduce one-year rolling contracts.

Cardano will vote against any proposals to abolish individualised disclosure of management remuneration or otherwise lower disclosure standards on remuneration.

Ratification of supervisory and management board acts

Cardano supports the ratification of supervisory and management board acts being presented as separate voting items for each individual.

Capital-related proposals

In view of the general market practice in Germany to seek capital-related authorities for a period of five years, Cardano will consider a request for an aggregate capital pool with pre-emptive rights of up to 40% and an aggregate capital pool without pre-emptive rights of up to 20% of the share capital as being acceptable, provided there is no history of past abuse of such authorities and the current situation of the company allows for this. If the company seeks annual capital pool authorities, Cardano will normally support capital pools with pre-emptive rights of up to 20% of the issued share capital, and capital pools without pre-emptive rights of up to 10% of the issued share capital.

Cardano will only support capital pools in accordance with article 186 of the corporate law (“bedingte Kapitalerhöhung”) that are intended for share-based remuneration if the respective incentive plan receives our support.

Articles of association

Cardano will oppose a resolution seeking approval of a supermajority requirement for the recall of a supervisory board member set higher than the 75% default threshold under the law. Cardano will support proposals to either maintain or introduce a 50% majority rule for the recall of a supervisory board member according to section 103 (1) of the German Stock Corporation Act (Aktiengesetz or ‘AktG’).

Cardano will object to the Kommanditgesellschaft auf Aktien (KGaA) legal form as an alternative to the Aktiengesellschaft (AG) because of the limited shareholder rights it provides for. With regard to the S.E. statutes (Societas Europaea), Cardano will generally have no objections but will expect that the respective resolutions are proposed individually (in particular, separate resolutions for the new articles of association and the supervisory board members of the S.E.).

4.5. Greece

Cardano expects companies to explain why and to what extent they deviate from the corporate governance principles of the October 2013 Hellenic Corporate Governance Code for listed companies. Cardano also expect public limited companies to implement the regulations of the July 2020 Corporate Governance law 4706/2020.

Corporate boards

In view of the unitary structure of Greek company boards, Cardano would expect the majority of the board members to be non-executive and at least one-third of the board members to be independent.

Cardano is not in favour of cross-shareholdings and will vote against the election of directors who have such connections with the company, except in the case of a joint business venture.

Cardano is supportive of recommendations that each board appoints a nomination, an audit and a remuneration committee. Cardano believes that:

- executives should not serve on either the audit or remuneration committees;
- the board chairman should not be a member of the audit committee; and
- a representative of a large shareholder should not be the audit committee chairman.

Remuneration

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Cardano would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

Cardano will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance, if he/she decided to leave the company or change his/her position.

Capital-related proposals

Cardano will normally vote against capital issuance with pre-emptive rights in excess of 50% of the issued share capital unless a higher percentage is justified by specific circumstances which must be explained.

Cardano will normally vote against capital issuance without pre-emptive rights in excess of 10% of the issued share capital.

Cardano will decide on any other share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

Cardano will vote against any share re-purchase request that does not clearly specify whether the share re-purchases will be allowed during a takeover period.

Cardano will vote against any share re-purchase request that would allow share re-purchases during a takeover period.

4.6. Italy

Cardano supports the corporate governance principles in the 2020 Italian corporate governance code, as well as regulations on banks, organisations and corporate governance issued by the Bank of Italy. We support the work of ASSONIME (Association of Italian Joint Stock Companies) and ASSOGESTIONI (the Italian fund management association).

Cardano is concerned that the August 2014 Growth Decree allows companies to issue multiple voting rights, up to three votes per shares (azioni a voto plurimo) and increased voting rights (azioni a voto maggiorato). We believe that this may be detrimental to minority shareholders and may represent a way to secure control by large shareholders.

Annual report

Cardano may vote against the adoption of the annual report and accounts if the report or its draft version has not been published sufficiently in advance of the shareholder meeting and/or is not available in English.

Corporate boards

The traditional structure of an Italian company comprises a board of directors and a board of statutory auditors. The “voto di lista” director election system is designed to ensure minority representation on the board. Given that under this system, shareholders cannot decide on each candidate but must vote for a single submitted list, Cardano will consider all proposed slates and make its voting decision on a case-by-case basis. The same approach applies to the appointment of statutory auditors (collegio sindacale).

- Cardano would expect the majority of directors on the board to be non-executive and, in the case of large companies, for at least half to be independent. In other cases, Cardano would expect the board to be at least one-third independent. The Italian Corporate Governance Code defines a large company as one whose capitalisation was greater than EUR 1 billion on the last Exchange business day of each of the previous three calendar years.

- Cardano is not in favour of cross-shareholdings reciprocal board directors and will vote against the election of directors who have such connections with the company, except in the case of a joint business venture.
- Cardano is supportive of recommendations that each board appoints a nomination, an audit and a remuneration committee. Cardano believes that executives should not serve on either the audit or remuneration committee.

Cardano is supportive of the Code recommendation that companies belonging to the FTSE-MIB index should evaluate whether to establish a sustainability committee or alternatively allocate such tasks among the other committees Board of statutory auditors (collegio sindacale).

The Italian civil code requires that limited liability companies with a share capital exceeding €120,000 must have a collegio sindacale consisting of three to five members, appointed by shareholders for a period of three to five years. The main duties of the collegio sindacale are to oversee the administration of the company; check that the balance-sheet and income statement conform to the underlying accounting records; and lastly to ensure conformity with legal rules regarding the financial statement valuations.

Cardano will support the appointment or re-election of statutory auditors unless:

- the auditors are affiliated with the company (e.g. served previously in an executive capacity);
- there are strong concerns about the audit procedures and/or the statutory reports presented; or
- the auditors have served on collegio sindacale for more than 12 years.

Remuneration

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Cardano would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

Cardano will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance, if he/she decided to leave the company or change his/her position.

Capital-related issues

Cardano will normally vote against capital issuance with pre-emptive rights in excess of 50% of the issued share capital unless a higher percentage is justified by specific, clearly explained circumstances.

Cardano will normally vote against capital issuances without pre-emptive rights in excess of 10% of the issued share capital.

Cardano may vote in favour of authorities to enable the management to repurchase shares up to 20% of the issued share capital.

Cardano will decide on any other share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

4.7. The Netherlands

In the Netherlands, Cardano is supportive of the 2016 Dutch Corporate Governance Code, the December 2010 Governance Principles for Insurance Companies, the work carried out by Eumedion and other governance-related initiatives and recognised best practice guidance.

General meeting agenda

Cardano is supportive of the recommendation that each substantial change in the corporate governance structure of the company and its compliance with the Code should be submitted to the general meeting for discussion (and, where changes are material, for shareholder approval under a separate agenda item).

Corporate boards

Listed Dutch companies typically fall under the 'large company regime', which prescribes a two-tier board structure. In line with Dutch best practice recommendations regarding the composition of the supervisory board, Cardano would expect all supervisory board members, with the exception of not more than one person, to be independent.

- Cardano would expect that the audit and remuneration committees of the supervisory board are not chaired by the board chairman or a former member of the management board. Furthermore, Cardano believes that a representative of a large shareholder should not chair the audit committee, while a supervisory board member who is a member of the management board of another listed company should not chair the remuneration committee.
- Cardano believes that at least one member of the supervisory board and of the audit committee should be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.
- Consistent with Dutch law, Cardano expects Dutch-listed companies to adhere to the requirement that supervisory boards are represented by at least 30% of each gender. Cardano will vote against any new appointments that are not consistent with this requirement.

Remuneration

Cardano will vote against a remuneration policy that allows the company to grant its directors any personal loans, guarantees or the like, unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the supervisory board. No remission of loans may be granted.

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Cardano would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Cardano may oppose unsubstantiated and material increases in fixed pay as well as entirely discretionary bonuses.

Termination provisions and severance packages

Under Dutch law, all companies may adjust and claw back variable remuneration of executive directors. As a result, all Dutch companies are empowered with a clawback clause even if such a clause is not included in the remuneration policy.

Cardano will normally vote against proposals for a severance package which exceeds one year of an executive's base salary. We may support severance pay not exceeding twice the annual salary if the ordinary maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his/her first term of office. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related issues

Cardano will generally support capital issuance proposals with or without pre-emptive rights for a maximum of 10% of the issued share capital, increased by a further 10% in the case where the issue takes place in support of a merger or takeover, provided that such authority is requested for no longer than 18 months.

Anti-takeover measures

Cardano is opposed to the practice of poison pill defences, such as authorising the board of a company which is subject to a hostile takeover bid to issue preferred stock to friendly parties (e.g. foundations). Such issuances are used to deter hostile takeover bids by diluting the bidder's voting power and increasing that of the management. Cardano notes that there has been a decrease in the number of companies with depositary receipts listed on the stock exchange. Nevertheless, Cardano recognises that depositary receipts can be used to prevent shareholders from controlling the decision-making process and, therefore, expects trust offices to:

- Undertake not to use depositary receipts as an anti-takeover measure;
- Where there is no such undertaking, provide clear explanation for this non-compliance; or
- Provide an indication of the circumstances under which it may be possible to end the issue of depositary receipts for shares.

4.8. Nordic Markets (Denmark, Finland, Sweden and Norway)

In Denmark, Finland, Sweden and Norway, Cardano is supportive of the corporate governance codes and other recognised best practice guidance in each market.

Corporate boards

In Denmark and Norway, most companies have a two-tier board structure. In Finland, a company may be governed by a one-tier board of directors comprising the managing director and non-executive directors or a two-tier board structure; the majority of companies opt for the one-tier board. In Sweden, the system is much closer to the one-tier model: boards are composed almost entirely of non-executive directors and the managing director may serve on the board (although not as a chairman). However, the managing director is subordinate to the board of directors.

Cardano would expect a majority of the board of directors/supervisory board to be independent, excluding any employee-elected representatives.

- Cardano will support the annual re-election of all directors.
- Cardano favours majority vote standards for electing directors and will support proposals requesting by-law changes.
- Cardano will oppose proposals to adopt plurality voting at those companies that have adopted a majority vote standard for the election of directors.
- In countries where board diversity is regulated by law (e.g. Norway) or best practice (e.g. Finland), Cardano will expect the boards to take action to comply with these rules.
- Cardano believes that the chairman of the board/supervisory board should not be a member of the audit committee and would expect committee members to have recent and relevant experience to work on this committee.
- In Sweden, nomination committees are made up of representatives from the four largest shareholders and are often chaired by the chairman of the board. Provided that Cardano is confident that the largest shareholders act in the best interest of all shareholders, we will vote in favour of the creation of this type of committee and the appointment of its members.
- In Norway, the majority of the nomination committee should be independent of the board of directors and the executive personnel and it should not include executive personnel or any member of the company's board of directors.
- Slate elections are common practice throughout the Nordic markets. Cardano welcomes individual elections but may support majority independent slates. Cardano may vote against slates that do not allow for adequate representation of the interests of all shareholders.

Discharge of directors

Cardano will vote against the abolition of the annual discharge unless all directors are elected or re-elected on an annual basis.

Remuneration

Some companies in the Nordic markets still grant market-priced options that are not subject to any performance criteria. Some boards believe that a remuneration structure that relies on a bonus with demanding short-term metrics and a long-term share price-driven scheme intended to retain executives is the best way of incentivising management. Cardano will make a case-by-case assessment of the overall remuneration arrangements before making a voting decision.

Whenever a variable remuneration policy includes variable components, Cardano expects full clarity on the performance criteria and measurability of the awards.

In Finland, few listed companies subject management remuneration to a regular shareholder vote. Even though this is not required by law, Cardano believes that a regular say-on-pay vote is a crucial element of accountability to shareholders. Cardano may abstain on the discharge of the supervisory board if it has failed to submit its executive remuneration policy to shareholder approval for more than five years.

Cardano will oppose:

- any loans to executives for the purpose of purchasing shares; and
- stock-option plans that result in excessive dilution.

Termination provisions and severance packages

Cardano will normally vote against proposals for a severance package which exceeds one year of an executive's base salary. We may support severance pay not exceeding twice the annual salary if the ordinary maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during her/his first term of office. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future. In general, we will evaluate the overall remuneration arrangements of the executive in question before making a voting decision.

Voting rights

Cardano may oppose proposals to adopt a dual share structure.

Capital-related proposals

Cardano will normally support capital pools with pre-emptive rights of up to 20% of the issued share capital.

Cardano will generally not support the request for the creation of an aggregated capital pool without pre-emptive rights in excess of 10% of the issued share capital.

The request for authority to transfer shares to finance an acquisition is – in line with the law in Finland – seen as equivalent to issuance of shares without pre-emptive rights.

Cross ownership

Cardano does not support cross-ownership, whereby two publicly listed companies hold a stake in each other. Again, we see these arrangements as control-enhancing mechanisms which may not be in the best interests of all shareholders and other stakeholders.

Equal treatment in public offers

Cardano believes that as A and B shareholders take equal financial risk and receive the same dividend per share, they should also receive the same price for their shares in the case of a takeover.

4.9. Poland

Cardano is generally supportive of the Polish corporate governance code (Best Practice for GPW Listed Companies 2021). It states that a company should address ESG issues in its business strategy and disclose information about it on its website, including its measurable long-term ESG goals, planned activities, and metrics. It should cover the subject of climate change and climate-related risks, and a gender pay gap. Charitable and social donations should be disclosed on a yearly basis as well.

Corporate Boards

Polish companies have a two-tiered board, consisting of a management board and a supervisory board. The chairman and CEO roles are always separate. The Best Practice for GPW Listed Companies 2021 (the Best Practice) stipulates that at least two supervisory board members should be independent. The supervisory board of each company must establish an audit committee, composed of at least three members, unless the supervisory board is composed of less than five members. The board should have 30% female directors or a diversity policy with the goal to have not less than 30% female directors.

- Cardano expects the majority of the audit committee to be independent, including the chairman. At least one of the audit committee members must be a finance/accounting expert; this particular member has to be an independent director. The audit committee chair should not serve as a chair of the board.
- Cardano may not support the election of directors connected to a significant shareholder who sit on the audit or remuneration committees.

Remuneration

Cardano expects companies to fully comply with the Best Practice in relation to the remuneration of the governing bodies.

- Companies are expected to include in their annual report a remuneration report describing the company's remuneration policy and its implementation.
- Companies are expected to tie the level of management board members' and key managers' remuneration to the actual long-term financial and non-financial standing of the company and shareholder value creation, as well as company's stability and sustainability.
- A management option program, if exists, should be based on meeting predetermined, realistic and appropriate financial and non-financial sustainability goals, with a minimum three years performance period. The agreed purchase price of eligible shares or the settlement of options may not differ from the value of the shares in the period when the program was adopted.
- Remuneration of supervisory board members should not be linked to company performance and should not include options or other variable components.
- The remuneration of the management board members should be broken down by variable and fixed remuneration and detailed information on incentive plans should be disclosed.
- Antitakeover defences
- Some anti-takeover defences apply to a number of companies partially owned by the Polish State Treasury. Special rights are granted to the Polish State Treasury in companies of special importance in the copper ore mining, media, railway infrastructure and energy sectors. Cardano will review specific situations in such companies on a case-by-case basis.
- Cardano is opposed to companies imposing voting caps on shareholders controlling more than 10 percent of a company's outstanding share capital.

4.10. Portugal

Cardano is generally supportive of the 2018 Instituto Português de Corporate Governance (IPCG) Corporate Governance Code.

Corporate boards

Portuguese companies can choose between a unitary and a dual board structure. Cardano would expect the majority of directors on a unitary board and all supervisory board members to be non-executive and at least one-third of the board members to be independent.

Cardano believes that, unless there are sufficient counterbalance mechanisms (i.e. a senior independent director), the board chairman should not be a representative of a large shareholder, nor be the chairman of the audit committee.

Remuneration

The IPCG Corporate Governance Code recommends that the company's statement on remuneration policy include an explanation of how total remuneration complies with the policy, including how it contributes to performance in the long term and information on how performance requirements were applied. Cardano expects companies to report in line with these recommendations.

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Cardano would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

Cardano will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related proposals

Cardano will normally vote against capital issuances with pre-emptive rights in excess of 50% of the issued share capital unless a higher percentage is justified by specific, clearly explained circumstances.

Cardano will normally vote against capital issuances without pre-emptive rights in excess of 10% of the issued share capital.

Cardano will decide on any other share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.

Anti-takeover measures

In line with our general policy, Cardano will generally oppose takeover defences. Although Portuguese company law prohibits by-law clauses that exclude the transmission of shares or that limit the transmission more than is legally allowed, it allows for the transmission to be subject to the company's authorisation.

4.11. Russia

Cardano is generally supportive of the Corporate Governance Code as updated by the Bank of Russia in 2014.

Corporate Boards

Russian companies can choose between having a unitary board, comprising executive and non-executive directors, and a two-tier board, with a supervisory board overseeing executive management. No more than 25 percent of the unitary or supervisory board can comprise executive directors. At the same time, the Code recommends that at least one third of the board should be independent.

Under Russian law, directors are elected through a cumulative voting system. This means that a shareholder's holding is multiplied by the number of candidates standing and the shareholder may choose to allocate their shares equally to all candidates or to cumulate their votes for individual candidates in line with their preference.

- Where the presence of significant shareholders or their representatives on the board effectively guarantees their re-election, Cardano may choose to cumulate its votes for independent candidates in order to strengthen their mandate on the board if they should be re-elected.
- Cardano may not support the election of directors connected to a significant shareholder who sits on the audit or remuneration committee.
- Directors' Fees
- The Federal Law on Joint Stock Companies requires that the remuneration of directors be approved by shareholders.
- Cardano may not support remuneration proposals that include the provision of performance related fees to non-executive directors.

Amendments to Articles and Regulations

An amendment to the Russian Federal Law on Joint Stock Companies, which came into force on 1 January 2017, means that pre-approval of related party transactions is no longer required by shareholders, unless otherwise decided by the board of directors. Some Russian companies are changing their articles of association in response to this change. Cardano will review such proposals on a case-by-case basis, taking into account whether the new article would give the board too much leeway in approving related party transactions.

4.12. Spain

Cardano is supportive of the February 2015 Good Governance Code of Listed Companies (the Code), which was preceded at the end of 2014 by a broad reform of the Spanish Companies Act (Ley de Sociedades de Capital). Cardano welcomes the inclusion in the Code of specific recommendations concerning corporate social responsibility.

Corporate boards

Spanish companies have a unitary board structure. Cardano would expect external directors, proprietary and independent, to occupy the majority of board seats. We would support the (re)election of a director who is neither proprietary nor independent, provided the company has disclosed the links which that person maintains with the company, its senior officers or its shareholders, and these are deemed acceptable. Cardano is supportive of the concept that the proportion of proprietary and independent directors on the board should reflect the share ownership structure of the company, provided that at least one-third of the board is composed of independent directors.

Cardano believes that the board chairman should not be a member of the audit committee. Equally, a representative of a large shareholder should not be the audit committee chairman.

Remuneration

Cardano welcomes the introduction of a binding vote on remuneration policy. Cardano believes that it is appropriate that shareholder approval on say-on-pay should occur at least once every three years.

Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Cardano would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

Cardano will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related proposals

Cardano will normally vote against capital issuance with pre-emptive rights in excess of 50% of the issued share capital unless a higher percentage is justified by specific circumstances, which must be explained.

Cardano will normally vote against capital issuance without pre-emptive rights in excess of 10% of the issued share capital.

Cardano will vote against any share re-purchase request that would allow share re-purchases during a takeover period.

Anti-takeover measures

Cardano is opposed to the practice of poison pill defences such as:

- Authorising the board of a company that is subject to a hostile takeover bid to issue warrants that are convertible into shares to existing shareholders. This would make an offer de facto more expensive; and
- Authorising in advance the board to buy back shares during a takeover period.

Related-party transactions

Cardano understands that article 35 of the Securities Market Law requires companies to disclose all transactions with related parties in their semi-annual reports. Cardano would expect all related-party transactions between the company and a shareholder, a director or any other party who owns more than 10% of the voting rights to be disclosed and, where these are sizeable, to be submitted to shareholder vote.

Split votes

Cardano will support proposals to allow split votes so that financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Shareholder rights

Cardano is supportive of the provisions of the revised 2014 Companies Act relating to shareholder rights. Cardano supports the lowering of the ownership threshold for adding proposals to the meeting agenda from 5% to 3% of the share capital, while we note that the ownership threshold to legally challenge corporate resolutions has been set at 0.1% for listed companies.

4.13. Switzerland

Cardano is generally supportive of the 2014 Swiss Code of Best Practice for Corporate Governance and other recognised best practice guidance. Cardano also supports the requirement for all Swiss-listed companies subject to the Ordinance Against Excessive Compensation in Listed Companies to hold binding shareholder votes on the compensation of board members and executive committee members.

Corporate boards

Swiss companies have a unitary board system. Cardano would expect the majority of board members to be non-executive and at least half of the board to be independent.

- Cardano believes that the board chairman should not be a member of the audit committee, nor should a representative of a large shareholder be the audit committee chairman.

- Cardano welcomes the requirement that provides that shareholders have to elect, for a one-year term, all board members and the members and chairman of the compensation committee.
- Cardano expects company boards to align with recent corporate law reforms, which require boards are represented by at least 30% of each gender. Cardano will vote against any new appointments that are not consistent with this requirement.

Remuneration

Given the compensation-related developments noted above, Cardano will monitor closely how companies apply the spirit of the requirements to better align their remuneration policies to internationally accepted standards.

- Cardano would expect indemnification payments paid to a new hire to compensate him/her for losses suffered with the former employer to be clearly detailed.
- Cardano would expect transaction bonuses to the management of a company which is a target of a takeover offer be clearly detailed.
- Cardano would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.
- Cardano would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

Cardano will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. Cardano will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related proposals

Cardano will normally support capital pools with pre-emptive rights of up to 20% of the issued share capital.

Cardano will generally not support the request for the creation of an aggregated capital pool without pre-emptive rights in excess of 10% of the issued share capital.

Voting preferred shares are the most common form of preference stock in Switzerland. They grant shareholders a greater voting power than common shares and are often reserved to members of management and their allies, thus reducing the influence of common shareholders. Cardano will not support the issue of shares with unequal voting rights and will withhold support for capital-raising exercises by companies with such capital structures.

Opting up/opting out clause

Cardano understands that, since 1998, provisions governing public takeover offers (Stock Exchange Act SESTA, Chapter 5) apply to all Swiss companies whose equity securities are, in whole or in part, listed on an exchange in Switzerland (Art. 22 SESTA). Accordingly, anyone acquiring more than 33.3% of the voting rights of a listed company is obliged to make an offer to acquire all equity securities of that company that are listed for trading on the Exchange (Art. 32 SESTA). However, the Stock Exchange Act does leave companies some room for manoeuvre in respect of the obligation to make an offer: the 33.3% voting rights threshold that triggers the obligation to make an offer can be increased by corresponding provisions in the articles of association up to a maximum of 49% ('opting up') or can be entirely abolished ('opting out').

Cardano will vote against any proposal to opt out of the mandatory offer obligation and will consider all proposals to opt up on a case-by-case basis.

4.14. Turkey

Cardano is generally supportive of the Turkish Capital Markets Board's (CMB) Communiqué on Corporate Governance and the governance-related provisions in the Turkish Commercial Code.

Corporate boards

Turkish listed companies generally have a one-tier board which includes both executive and non-executive directors. Holding groups controlled by families usually are the largest shareholder of most Turkish companies. As a result, Turkish companies often have an executive chairman or an executive director on the board that is a senior member of the controlling family.

- In line with the Communiqué on Corporate Governance, Cardano believes that the majority of directors on the board should be non-executive.
- In line with the Communiqué on Corporate Governance, Cardano believes that one third of the board of directors should be independent for companies in the CMB's first and second groups. For companies in the CMB's third group, at least two members of the board of directors should be independent. For banks, at least three members of the board of directors should be independent.
- Where boards are not sufficiently independent, Cardano will usually vote against the election of a non-independent director(s) or, in certain cases, the entire slate in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- Cardano expects that an independent director chairs all board committees. Furthermore, Cardano believes that the CEO should not sit on any board committees.
- Cardano expects that all audit committee members are independent directors. For all other committees, Cardano believes that the majority of members should be non-executive directors.
- Cardano understands that the Communiqué on Corporate Governance requires companies to appoint a manager of the investor relations department to the corporate governance committee and will take this into account when evaluating the composition of the corporate governance committee.

Differential voting power

In Turkey, it is common for controlling shareholders to hold shares with special voting rights in connection with the appointment of board directors. In line with its global policy, Cardano will normally vote in favour of proposals to eliminate differential voting powers of common shares.

Related-party transactions

Turkish companies may request that shareholders approve a general authority to carry out competing activities and related party transactions at the annual general meeting. Due to the fact that many Turkish companies have controlling shareholders, Cardano will generally not support such a broad, general authority without a sufficient explanation of the types of transactions that are likely to be carried out and a justification as to why the company needs to engage in business relationships with these related individuals.

Ratification of auditor

Cardano understands that many Turkish companies do not disclose the name of the external auditor that they plan to appoint for the next fiscal year. While this is common market practice, it makes it difficult for shareholders to make an informed voting decision. As such, Cardano will vote against the appointment of the external auditor if there is no information available on the intended auditor by the voting deadline.

The Turkish Commercial Code restricts the non-audit services that external auditors can provide to companies. As such, external auditors can only provide audit, audit-related and tax-related services to a company. Tax-related service fees cannot exceed 30 percent of the total fees paid to the external auditor within the past five consecutive fiscal years or exceed this threshold in the next fiscal year. Cardano expects companies to comply with this rule. Cardano understands that the disclosure of audit and non-audit fees is rare in Turkey, as companies are not required to disclose them under Turkish law. Nonetheless, Cardano encourages companies to disclose these fees.

Cardano may consider voting against the appointment of the auditor if there are concerns about the level of non-audit services being provided and independence.

Remuneration

Turkish companies usually present the remuneration policy for executive and non-executive directors at the annual general meeting. However, it is not necessarily a voting item.

Generally, the level of disclosure on performance measures and targets is low amongst Turkish companies. Cardano encourages Turkish companies to enhance their disclosure on remuneration generally.

Turkish companies are not required to disclose the fees paid to board directors ahead of the annual general meeting where those fees may be approved. However, the fees paid in the previous fiscal year are normally disclosed.

Cardano will make a case-by-case assessment of the overall remuneration arrangements before making a voting decision, analysing the company's recent remuneration practices and comparing the previous year's fee level to other companies.

If neither the past nor present fees are disclosed, Cardano will vote against any approval of remuneration arrangements or director fees on the basis that we do not have sufficient information to support a vote in favour.

4.15. United Kingdom & Ireland

In the United Kingdom (UK) and Ireland, Cardano is supportive of the principles and recommendations set out in the UK Corporate Governance Code 2018, the UK Investment Association Principles of Remuneration, the Irish Corporate Governance Annex, the Pre-emption Group Guidelines and other recognised best practice guidance.

Annual reporting

Cardano will typically vote in favour of the approval of the annual report and accounts. Cardano may vote against the annual report and accounts in instances of egregious corporate governance failures.

Corporate boards

In light of market best practice, Cardano will expect at least half of the board, excluding the chairman, to be composed of independent non-executive directors. In smaller companies (i.e. outside the FTSE 350), Cardano will expect the board to have at least two independent non-executive directors.

Where there is an insufficient number of independent non-executive directors on the board, Cardano will vote against the (re)election of non-independent non-executive directors in order to encourage a board composition with an appropriate balance of independent and non-independent directors.

In determining director independence, Cardano will consider the existence of relationships or circumstances that may impede a director's independence outlined in section 2, provision 10 of the UK Corporate Governance Code.

Remuneration

UK companies are required to propose an ex-ante binding vote on remuneration policy and an ex-post non-binding vote on remuneration practice. Cardano will seek to avoid voting against the same issue with respect to both resolutions ("double-counting").

When voting on remuneration policy, Cardano will take into account the following elements:

- How the different elements of remuneration support company strategy;
- Annual and equity incentive structures;
- The policy on loss of office payments;
- The statement of how employment conditions elsewhere in the company have been taken into account; and

- The statement on whether, and if so how, the views of shareholders have been taken into account.
- Cardano will expect all equity-based incentive schemes to observe the following dilution limits:
- UK: 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10-year period under all equity-based incentive schemes and 5% of the issued ordinary share capital of the company (adjusted for share issuance and cancellation) in any rolling 10-year period under executive (discretionary) schemes.
- Ireland: no more than 10% of issued ordinary share capital, adjusted for scrip, bonus and rights issues, over a period of 10 years for all equity-based incentive schemes (with additional 5% of the issued share capital over a period of 10 years to be used, following approval by the IAIM, for broadly based employee share schemes of all kinds). Within the above 10% limit, 5% of the issued ordinary share capital can be used under a basic tier share option scheme with an additional 5% of the issued share capital to be used under a second tier share option scheme, such options being exercisable only on the basis of exceptional performance.

Termination provisions and severance packages

Cardano will vote against a remuneration policy that allows for compensation on early termination of an executive's contract to exceed the equivalent of one year's salary and benefits, unless there are exceptional circumstances which are clearly explained and are considered acceptable.

Capital-related issues

Cardano will vote in favour of routine capital issuance requests with pre-emptive rights up to a maximum of one-third of the issued share capital.

A number of companies propose extended capital issuance requests with pre-emptive rights of up to an additional one-third of the issued share capital. Cardano may support these if the additional third is to be used in a rights issue and with regard for the circumstances of the individual company and the checks and balances offered to shareholders in return.

Cardano will support routine capital issuance requests without pre-emptive rights up to a maximum of 5% of the issued share capital provided that such authorities are renewed every year. Cardano will support the extension of this authority by up to 5% of the issued share capital to permit acquisitions or other capital investments.

Cardano will support vendor placing proposals where shareholders are offered a right of clawback of their pro rata share of the issue for any issues involving more than 10% of issued equity share capital or a discount greater than 5%.

Cardano will decide on any other share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.

Political Donations

UK companies routinely seek authority from shareholders to make 'political donations' or incur 'political expenditure'. The UK Companies Act prohibits companies from such spending unless they have received permission from shareholders. However, companies usually state that their purpose in putting forwards such proposals is not to make political donations in the ordinary sense of the word (ie. supporting a political party or candidate), but rather to permit them to support bodies concerned with policy review, law reform or representation of the business community. Cardano will consider supporting such resolutions if the company:

- states that it will not use the authority to make political donations or incur political expenditure in the ordinary sense of the word;
- states (in its annual report or elsewhere) that it has not made any political donations or incurred political expenditure in the preceding twelve months; and
- the value of the authority does not seem disproportionately high.



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