

OUR PRINCIPLES OF GOVERNANCE

We will use our shareholder vote in favour of the below principles. We will reflect companies' adherence to these principles as part of our ESG ratings, and ultimately the risk premium used to assess an appropriate valuation:

1. Separation of the roles of CEO and Chairman
2. Number of independent directors in line with company's free float
3. Independent directors should not be ex-employees, family members of the founder, representatives of significant shareholders, or have any major commercial relationship with the company. They should be truly independent
4. Maximum 9-year tenure of any independent director (in line with UK corporate code), regardless of any breaks in service
5. Maximum 6 other public external directorships for any independent director, who must also have enough time to devote to the role given other constraints on their time
6. Minimum 75% attendance at board meetings for all directors (including by telephone)
7. Share grants relating to employee/management share schemes of a maximum of 1% per annum, and no more than a 10% discount to the prevailing / average share price at the time of award. These should vest over a suitable timeframe, such as 3 years.
8. Documentation relating to shareholder votes/AGM to be circulated 2 weeks in advance
9. Audit and remuneration/nomination committees to be 100% comprised of independent directors. The members of the audit committee should have sufficient adequate financial experience
10. Independent and credible auditor, changing every 5 years
11. Companies should strive for 50% gender diversity on board/senior management level. We will vote against the entire board where there is zero gender diversity at the board level
12. Pre-emption rights for existing shareholders for all equity raising
13. Remuneration packages for senior management to be highly transparent, and demonstrably comparable to peer companies
14. Transparent dual share classes are acceptable as long as there is an effective justification, the company is demonstrably run in the interests of minority shareholders, and there are rigorous checks and balances to prevent abuse
15. Although votes relating to our key progress indicators occur rarely, we will vote to achieve these goals when the opportunity arises
16. We will vote against the re-election of directors where we deem that companies are climate laggards with respect to their size, industry and region