Vanguard

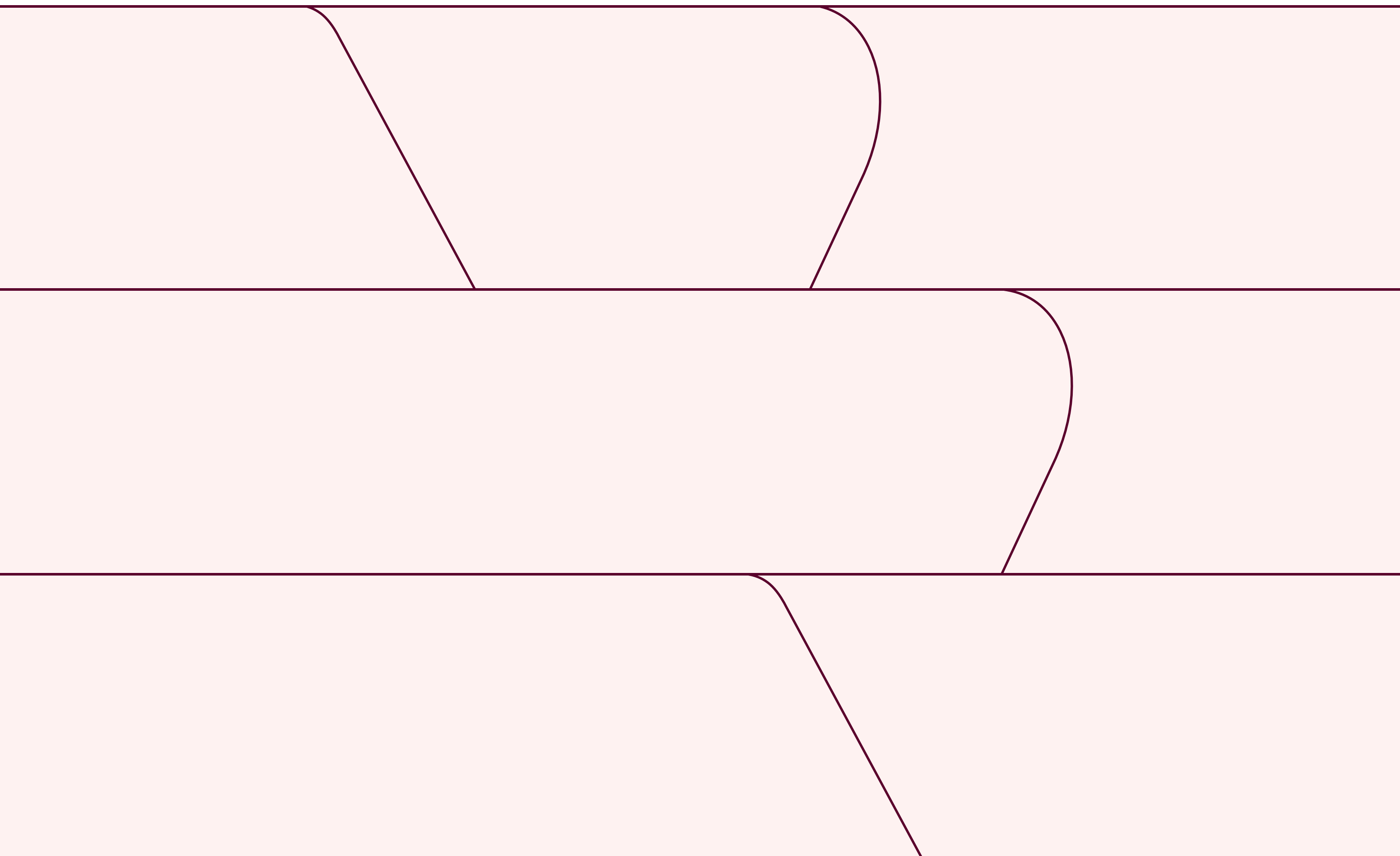
Proxy voting policy for Australian and New Zealand portfolio companies

Effective January 2026

Vanguard Portfolio Management, LLC

Vanguard Fiduciary Trust Company

Vanguard Global Advisers, LLC



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Introduction

This proxy voting policy (the Policy) describes general positions on matters that may be subject to a shareholder vote at companies domiciled in Australia or New Zealand and is aligned with governance practices believed to support long-term shareholder returns. The Policy has been adopted by the boards (or relevant governing bodies) of funds and portfolios managed by certain Vanguard-affiliated entities including U.S.-domiciled mutual funds and ETFs advised by Vanguard Capital Management, LLC (VCM), as well as the boards of Vanguard Asset Management, Ltd., Vanguard Fiduciary Trust Company, Vanguard Global Advisers, LLC, and Vanguard Investments Australia Ltd in connection with their management of certain equity index funds and portfolios (together with the U.S.-domiciled mutual funds and ETFs advised by VCM, the "Funds"). The adoption of this Policy is anchored in the belief that effective corporate governance practices support long-term investment returns.

It is important to note that proposals—whether submitted by company management or other shareholders—often require a facts-and-circumstances analysis based on an expansive set of factors. While the Policy may recommend a particular voting decision, all proposals are voted case by case as determined in the best interests of each Fund consistent with its investment objective. The Policy is applied over an extended period of time; as such, if a company's board is not responsive to voting results on certain matters, support may be withheld for those and other matters in the future.

As a baseline, the Policy looks for companies to abide by the relevant governance frameworks (e.g., listing standards, governance codes, laws, regulations, etc.) of the market(s) in which they are listed. While the Policy is informed by such frameworks, final voting decisions may differ from the application of those frameworks due to the investment stewardship team's independent research, analysis, and engagement. In addition, this Policy and its application to specific voting matters are predicated on the relevant Funds' acquisition and ownership of securities in the ordinary course of business, without the intent of influencing company strategy or changing the control of the issuer. These Funds will not nominate directors, solicit or participate in the solicitation of proxies, or submit shareholder proposals at portfolio companies. The application of this Policy to specific voting matters will also adhere to any passivity requirements to which the Funds and/or The Vanguard Group, Inc. and any of its subsidiaries (collectively, Vanguard) may be subject.

"If not, why not" in Australia and "comply or explain" in New Zealand. Local standards in Australia and New Zealand permit companies to deviate from corporate governance practices recommended by the relevant corporate governance codes and listing standards as long as a company provides an explanation for the deviation. Companies should explain any deviations from the relevant corporate governance code's recommended governance practices, including what they do and why their alternative approach is in the best interests of shareholders.

Multijurisdictional companies. When a company is listed on multiple exchanges or incorporated in a country different from where it is listed, the company should follow the applicable laws and listing rules of the market(s) in which it has its primary listing, as well as apply any local corporate governance codes. If a company deviates from any market standards or local corporate governance codes, it should explain the reasons for such deviations.

Pillar I: Board composition and effectiveness

The Funds believe that in order to maximize the long-term return of shareholders' investments in each company, the individuals who serve as board directors to represent the interests of all shareholders should be appropriately independent, experienced, committed, capable, and diverse. Diversity of thought, background, and experiences meaningfully contribute to the ability of boards to serve as effective, engaged stewards of shareholders' interests. The evaluation of portfolio company boards will be informed by relevant market-specific governance frameworks (e.g., listing standards, governance codes, laws, regulations, etc.).

Board and key committee independence

In order to appropriately represent shareholder interests in the oversight of company management, a majority of directors of a noncontrolled company should be independent, as should a majority of the members of the board's key committees (audit, remuneration, and nominating/governance, or their equivalents).[1]

A director's independence will generally be determined based on a company's disclosure in the context of relevant market-specific governance frameworks (e.g., listing standards, governance codes, laws, regulations, etc.) supplemented by independent research and/or engagement.[2]

In cases where a noncontrolled company does not maintain a majority independent board, votes against members of the nomination committee and all nonindependent, nonexecutive members of that board may be recommended. In cases where a non-widely held company and/or a controlled company does not maintain a level of board independence proportionate to, and reflective of, the ownership structure, votes may be recommended against the nomination committee and nonindependent, nonexecutive directors of that board.[3] If a board does not meet these independence criteria over multiple years, votes may be recommended against the chair and/or lead independent director (or any other relevant director).

In cases where any of the key committees are not majority independent, votes will generally be recommended against the nonindependent members of that committee. If a board does not maintain majority independent key committees over multiple years, votes may also be recommended against members of the board's nominating committee, the chair and/or lead independent director, or any other relevant director.

Independent board leadership

The Funds believe that shareholders' interests are best served by board leadership that is independent of company management. While this may take the form of an independent chair of the board or a lead independent director (with sufficiently robust authority and responsibilities), the Funds generally believe

1 All committees should comprise solely nonexecutive directors. Shareholder agreements with significant shareholders that include board and/or committee representation will be taken into consideration in evaluating sufficient independence. A noncontrolled company is a company in which 50% or less of the voting power for the election of its directors is held by a single person, entity, or group.

2 When analyzing the overall level of board independence, only board members who are elected by shareholders will be taken into account; any directly appointed government and/or employee representatives on the board will be excluded from the independence analysis.

3 A controlled company is a company in which more than 50% of the equity or voting power is held by a single person, entity, or group. A fund may also apply this policy to non-widely held companies, which are those companies for which 20% or more of the equity or voting power is held by a single person, entity, or group. Shareholder agreements with significant shareholders which include board and/or committee representation will be taken into consideration in evaluating sufficient independence.

that determining the appropriate independent board leadership structure should be within the purview of the board. Certain shareholder proposals seek to require that companies do not permit the same person to serve as both CEO and chair of the board of directors. Proponents believe that separation of these duties will create a more independent board.

Given the Funds' belief that this matter should be within the purview of a company's board, votes will generally be recommended against shareholder proposals to separate the CEO and chair roles. Votes for such proposals may be recommended if there are significant concerns regarding the independence or effectiveness of the board at the company in question.

Board composition

The Funds believe that boards should be fit for purpose by reflecting sufficient breadth of skills, experiences, and perspectives resulting in cognitive diversity that enables effective, independent oversight on behalf of all shareholders. The funds believe that the appropriate mix of skills, experiences, and characteristics is unique to each board and should reflect expertise related to the company's strategy and material risks from a variety of vantage points.

To this end, the Funds believe that companies should produce fulsome disclosure of a board's process for building, assessing, and maintaining an effective board well suited to supporting the company's strategy, long-term performance, and shareholder returns. Such fulsome disclosure may include the range of skills, background, and experiences that each board member provides and their alignment with the company's strategy (often presented as a skills matrix). Such disclosure may also cover the board's process for evaluating the composition and effectiveness of their board on a regular basis, the identification of gaps and opportunities to be addressed through board refreshment and evolution, and a robust nomination (and renomination) process to ensure the right mix of skills, experiences, and perspectives in the future.

A board's composition should comply with requirements set by relevant market-specific governance frameworks (e.g., listing standards, governance codes, laws, regulations, etc.) and be consistent with market norms in the markets in which the company is listed. To the extent that a board's composition is inconsistent with such requirements or differs from prevailing market norms, the board's rationale for such differences (and any anticipated actions) should be explained in the company's public disclosures.

Votes against the nomination/governance committee chair may be recommended if, based on research and/or engagement, a company's board composition and/or related disclosure is inconsistent with relevant market-specific governance frameworks or market norms.

Director capacity and commitments

Directors' responsibilities are complex and time-consuming. Therefore, shareholders seek to understand whether the number of directorship positions held by a director makes it challenging for that director to dedicate the requisite time and attention to effectively fulfill their responsibilities at each company (sometimes referred to as being "overboarded"). While no two boards are identical and time commitments for directorships may vary, the Funds believe that limitations on the number of board positions held by individual directors may be appropriate, absent compelling evidence to the contrary.

Votes may generally be recommended against any director who is a public company executive and sits on more than two public company boards. In this instance, votes will typically be recommended against the nominee at each company where they serve as a nonexecutive director, but not at the company where they serve as an executive.

Similarly, votes may also generally be recommended against any director who serves on more than four public company boards. In such cases, votes will typically be recommended against the director at each company except the one (if any) where they serve as board chair or lead independent director.

In certain instances, support will be considered for a director who would otherwise be considered overboarded under the standards above, taking into account relevant market-specific governance frameworks or company-specific facts and circumstances.

The Funds believe that portfolio companies should adopt good governance practices regarding director commitments, including a policy regarding director capacity and commitments and disclosure of the board's oversight of the implementation of that policy. Helpful disclosure includes a discussion of the company's policy (e.g., what limits are in place) and, if a nominee for director exceeds the policy, any considerations and rationale for the director's nomination. Additionally, it is good practice to include disclosure of how the board developed its policy and how frequently it is reviewed to ensure it remains appropriate.

Director attendance

Votes will generally be recommended against directors who attended less than 75% of board or committee meetings (in the aggregate) in the previous year unless an extenuating circumstance is disclosed, or they have served on the board for less than one year.

Directors' names and biographies

Timely disclosure of directors' names and biographies is critical to provide investors with a base level of information to assess individual roles and overall board composition.

Votes will generally be recommended against any director whose name and biographical details have not been disclosed sufficiently in advance of the annual meeting.

Director accountability

Directors are elected by shareholders to represent their interests. If there are instances in which the board has failed to adequately consider actions approved by a majority of shareholders, unilaterally taken action against shareholder interests, or, based on independent analysis, failed in its oversight role, votes against those directors deemed responsible (generally based on their functional or committee level responsibilities) may be recommended. Such conditions will generally not apply to a director who has served less than one year on the board and/or applicable committee, but in such instances may apply to another relevant director in their place.

Contested director elections

Contested director elections will be analyzed case by case. The analysis of proxy contests focuses on three key areas:

- *The case for change at the target company.*
  - How has the company performed relative to its peers?
  - How effectively has the current board overseen the company's strategy and execution?
  - How does the dissident's case strengthen the target company's long-term shareholder returns?

- *The quality of company governance.*
  - How effectively has the company's governance structure supported shareholder rights consistent with market norms?
  - Has the board been sufficiently accessible and responsive to shareholder input in the past?
- *The quality of the company's and dissident's board nominees.*
  - Is the incumbent board (and/or the company's nominees) sufficiently independent, capable, and effective to serve long-term shareholder interests?
  - Having made a compelling case for change, do the dissident's nominees appear better aligned with long-term shareholder interests relative to the company's nominees?

Pillar II: Board oversight of strategy and risk

Boards are responsible for effective oversight and governance of their companies' most relevant and material risks and for governance of their companies' long-term strategy. Boards should take a thorough, integrated, and thoughtful approach to identifying, quantifying, mitigating, and disclosing risks that have the potential to affect shareholder returns over the long term. Boards should communicate their approach to risk oversight to shareholders through their normal course of business.

Capital structures

- *Dividends.* Votes will generally be recommended for proposals to allocate income and for proposals to allow a stock (scrip) dividend, unless the proposal does not allow for a cash option or is not in line with market standards.
- *Share issuance requests.* The total dilution to existing shareholders and the company's history of issuing capital will be considered.
  - Votes will generally be recommended for routine ratifications of past issuance of shares without preemptive rights up to a maximum of 15% of the current issued share capital, provided that the issuance occurred within the 12-month period and in line with market practice.
  - Votes will generally be recommended for routine capital issuance requests without preemptive rights up to a maximum of 15% of the current issued share capital, provided that the issuance authorities' periods are clearly disclosed and in line with market practice.
  - Votes will generally be recommended for routine capital issuance requests with preemptive rights up to a maximum of 50% of the current issued share capital, provided that the issuance authorities' periods are clearly disclosed and in line with market practice.
- *Debt issuance.* Proposals to issue debt and/or restructure debt will be evaluated case by case, taking into account:
  - Any convertible features and the potential effect on dilution;
  - The company's financial position; and
  - The company's ability to take on the proposed debt.
- *Share repurchase*
  - For Australia, votes will generally be recommended for routine authorities to repurchase additional shares up to 10% of the current issued share capital (20% in total, including the 10% in a 12-month period allowed under the Corporations Act 2001), so long as the terms of the repurchase appear to be in the best interests of shareholders, there is no history of abuse of such authorizations, and the pricing premium is equal to or less than 5% of fair market price.
  - For New Zealand, votes will generally be recommended for routine authorities to repurchase additional shares up to 5% of the current issued share capital (20% in total, including the 15% in a 12-month period allowed under the NZX Listing Rules), so long as the terms of the repurchase appear to be in the best interests of shareholders, there is no history of abuse of such authorizations, and the pricing premium is equal to or less than 20% of fair market price.
- *Reverse stock split.* Votes will generally be recommended for a reverse split of outstanding shares if the number of shares authorized is proportionately reduced and the difference in reduction results in dilution equal to or less than 100%. Regardless of the level of dilution, a vote will generally

be recommended for a reverse split if it is necessary for the company to remain listed on its current exchange.

- *Preferred stock*. Proposals to create/amend/ issue preferred stock will be evaluated case by case, taking into account the reason for the issuance, the ownership profile of the company, any historical abuses of share issuances, and the company's general approach to shareholder rights.

Mergers, acquisitions, and financial transactions

Transactions are assessed based on the likelihood that they will preserve or create long-term returns for shareholders. All mergers, acquisitions, and financial transactions will be considered case by case based on a governance-centric evaluation focused on four key areas:

- *Valuation*
  - Does the consideration provided in the transaction appear consistent with other similar transactions (adjusting for size, sector, scope, etc.)?
- *Rationale*
  - Has the board sufficiently articulated how this transaction is aligned with the company's long-term shareholder returns?
- *Board oversight of the deal process*
  - Has the board provided sufficient evidence of the rigor of the evaluation process? This could include disclosures such as an independent valuation report or fairness opinion, a discussion of the board's process for evaluating alternative opportunities, management incentives, or other relevant disclosures.
  - How did the board manage any potential conflicts of interest among the parties to the transaction?
- *The surviving entity's governance profile*
  - Are shareholder interests sufficiently protected in any surviving entities (in noncash transactions)?

Related-party transactions

In general, companies should refrain from entering into related-party transactions with nonexecutive directors, executive directors, and shareholders because of the potential conflicts of interest that can arise. If a company does decide to enter into such a transaction, that company should comply with the relevant corporate law in its jurisdiction and/or the listing rules on the exchange on which it is listed.

When evaluating related-party transactions, considerations include:

- Whether it is part of the normal course of business;
- Clear disclosure of the details of the transaction, including who is involved, the price and any financial conditions, and the board's justification of the transaction;
- Whether there has been independent verification of the transaction, either by a third party (e.g. an auditor) or an independent board committee; and/or
- The length of the approval process of the transaction (preferring annual approval).

A vote may be recommended against a related-party transaction if:

- It is a substantial transaction with a nonexecutive director (especially when the company classifies such director as independent) and there are concerns about the level of independence on the board;

- The disclosure provided by the company is incomplete or is lacking detail;
- The approval length for the transaction is excessive;
- There are serious concerns about the independent verification and/or pricing of the transaction; and/or
- The transaction may not be in the interest of minority shareholders and/or it diminishes shareholder rights.

Independent auditors

Maintaining the independence and objectivity of auditors when carrying out their primary function of auditing financial statements is fundamental to safeguarding shareholder value.

Votes will generally be recommended against the appointment of the auditor and setting the auditor's fees where tax and all other fees exceed the audit and audit-related fees and/or a reasonable amount, unless the company's disclosure makes it clear that the non-audit fees are for services that do not impair independence and/or the imbalance was due to an event that was transactional and one-off.

An auditor's appointment/reappointment will be evaluated case by case when there is a material misstatement of financials or other significant concern regarding the integrity of the company's financial statements.

Votes will generally be recommended for the appointment of a new auditor unless there is a compelling reason why the new auditor selected by the board should not be endorsed.

Environmental/social proposals

Each proposal will be evaluated on its merits and in the context that a company's board has responsibility for providing effective oversight of strategy and risk management. This oversight includes material sector- and company-specific risks and opportunities that have the potential to affect long-term shareholder returns.

While each proposal will be assessed on its merits and in the context of a company's public disclosures, vote analysis will also consider these proposals relative to market norms or widely accepted frameworks.

Support may be recommended for a shareholder proposal that:

- Addresses a shortcoming in the company's current disclosure relative to market norms or to widely accepted investor-oriented frameworks (e.g., the International Sustainability Standards Board (ISSB));
- Reflects an industry-specific, financial materiality-driven approach; and
- Is not overly prescriptive, such as by dictating company strategy or day-to-day operations, time frame, cost, or other matters.

Each of the Funds adopting this Policy is a passive investor whose role is not to dictate company strategy or interfere with a company's day-to-day management. Fulsome disclosure of material risks to long-term shareholder returns by companies is beneficial to the public markets to inform the company's valuation. Clear, comparable, consistent, and accurate disclosure enables shareholders to understand the strength of a board's risk oversight. Furthermore, shareholders typically do not have sufficient information about specific business strategies to propose specific operational targets or environmental or social policies for a company, which is a responsibility that resides with management and the board.

As such, support is more likely for proposals seeking disclosure of such risks where material and/or for the company's policies and practices to manage such risks over time.

Say on Climate proposals

Abstention from voting will generally be recommended on advisory management proposals seeking shareholder approval of specific components of a company's strategy.[4] Many of these proposals may focus on the approval of elements of a company's strategy to mitigate climate risks, including the adoption of emissions targets or transition plans. In other cases, the strategies on which approval is sought may include other environmental, social, and governance (ESG) metrics and targets covering risks associated with biodiversity, human capital management, or other risks identified by company management.

Shareholder proposals seeking disclosure of a company's plans to mitigate risks, including climate-related risks, will be evaluated case by case. Such proposals are evaluated through a lens of materiality and consider several criteria, including the reasonableness of the request, whether the proposal addresses a gap in existing company disclosures, and the alignment of the proposed disclosures with industry standards. Abstention from voting may also be recommended in instances when a company may be subject to regulation of its disclosure or its risk mitigation plan.

4 Supportive votes will generally be recommended for proposals required by market-specific governance frameworks seeking shareholder approval of reporting on ESG metrics or other nonfinancial reporting matters that meet regulatory requirements. Where a proposal seeks shareholder approval of reporting on strategic matters that are not required by market-specific governance frameworks, abstention from voting will generally be recommended.

Pillar III: Executive pay

Remuneration policies linked to long-term relative performance are fundamental drivers of sustainable, long-term investment returns for a company's investors. Providing effective disclosure of remuneration policies, their alignment with company performance, and their outcomes is crucial to giving shareholders confidence in the link between executives' incentives and rewards and the long-term returns for shareholders.

Improvements in remuneration disclosure across markets, where lacking, are encouraged. Areas where a company could enhance its pay-related disclosures to help shareholders evaluate how executive pay is aligned with long-term shareholder returns may be signaled through votes on remuneration-related proposals or engagement.

Advisory votes on executive remuneration (Say on Pay)

Because norms and expectations vary by industry type, company size, company age, and geographic location, the following guidelines illustrate elements of effective executive remuneration plans and are not a one-size-fits-all tool.

For that reason, executive remuneration proposals will be evaluated case by case. Votes will be recommended for those that enhance long-term shareholder returns. Votes may also be recommended for remuneration policies that reflect improvements in practices, even if the proposals are not perfectly aligned with all these policies but are clearly in the interests of long-term shareholder returns.

Considerations for a vote on the remuneration policy or report fall into three broad categories:

- *Alignment of pay and performance.* Company disclosure should include evidence of clear alignment between pay outcomes and company performance. This is mainly assessed through alignment of incentive targets with strategy set by the company and analysis of three-year total shareholder return and realized pay over the same period versus a relevant set of peer companies. If there are concerns that pay and performance are not aligned, votes against a pay-related proposal may be considered.
- *Remuneration plan structure.* Plan structures should be aligned with the company's stated long- term strategy and should support pay-for-performance alignment. Where a plan includes structural issues that have led to, or could in the future lead to, pay-for-performance misalignment, votes against a pay-related proposal may be considered. For remuneration structures that are not typical of a market, companies should consider specific disclosure demonstrating how the structure supports long-term returns for shareholders.
- *Governance of remuneration plans.* Boards should articulate a clear philosophy on executive pay, utilize robust processes to evaluate and evolve executive pay plans, and implement executive pay plans responsive to shareholder feedback over time. Boards should also explain these matters to shareholders via company disclosures. Where pay-related proposals consistently receive low support, boards should demonstrate consideration of shareholder concerns.

Additional considerations include:

- *Disclosure.* Shareholders should be able to easily understand pay expectations and outcomes. Therefore, a company should clearly articulate the remuneration plan's structure and the remuneration committee's processes for determining outcomes. Companies should retrospectively disclose performance achievements. Effective disclosure may include:
  - — The weightings of each metric in an incentive plan;

  - The performance metrics and targets used to evaluate performance in an incentive plan (ideally including the minimum, the maximum, and the target performance for each metric); and
  - A clear description of any qualitative metrics used in an incentive plan and how the remuneration committee evaluated whether they were met.

- *Fixed pay.* Salary should be reasonably set based on the role scope, the industry, and the region, as well as benchmarked against an appropriate peer group (based on company size and complexity). If fixed pay is significantly increased, a compelling rationale should be disclosed.
- *Variable pay*
  - *Long-term focus.* Plans should generally be weighted toward long-term outcomes rather than short-term outcomes; therefore, long-term plans should make up the majority of variable remuneration. Long-term plans should generally have performance measured over multiple years, ideally for a period of three years or more.
  - *Metrics.* Remuneration plans should incorporate rigorous metrics aligned with corporate strategy and long-term company performance. Since pay should ultimately align with relative performance, incorporating relative metrics (particularly relative total shareholder return) into plans is preferred. Where possible, companies should provide prospective performance metric disclosure, including targets and weightings, to allow shareholders to assess the rigor of the plan. There is not a one-size-fits-all approach to executive remuneration. All metrics—financial and nonfinancial—within an executive remuneration plan should be rigorously designed, thoroughly disclosed, and tied to long-term performance goals related to strategic objectives or material risks. When boards choose to include nonfinancial metrics (such as environmental, social, and governance (ESG) metrics), they should have the same rigor, disclosure, and alignment with key strategic goals, material risks, and shareholder returns as other metrics.
  - *One-off awards.* Payments that occur in addition to the regular incentive plans may indicate that the current remuneration structures may not be working as designed. One-off awards should be granted in exceptional circumstances only. If a one-off award is granted, it should be accompanied by disclosure of a compelling rationale, which will be scrutinized.
- *Malus and clawback.* Such provisions should be adopted and detailed in a company's incentive plans. When necessary, malus and clawback provisions should be exercised by the remuneration committee.
- *Severance.* Such arrangements should be set in line with market best practice and be double-trigger. Generally, severance arrangements should not be more than one year's base salary, taking into account any market-specific practices.
- *Discretion.* The remuneration committee should feel empowered to exercise discretion when formulaic pay outcomes do not align with company and share-price performance or shareholders' experience.

  A remuneration committee should provide enhanced disclosure when exercising discretion, clearly explaining the rationale for such discretion and how the committee arrived at this decision.

- *Responsiveness to shareholders.* If pay proposals receive low support or shareholder feedback, especially year over year, the board and remuneration committee should demonstrate responsiveness to shareholder concerns.

The following situations are among those that raise a higher level of concern related to a remuneration plan:

- Pay outcomes that are higher than those of peers, but total shareholder return that is lower than those of peers.
- A target for total pay that is set above the peer-group median.

- A long-term plan that makes up less than 50% of total pay and/or an annual bonus that accounts for the majority of executives' variable pay.
- Incentive plans that do not have clearly disclosed limits.
- A long-term plan that has a performance period of less than three years.
- Performance targets for incentive plans that are reset, retested, or not rigorous.
- A lack of malus and/or clawback provisions.
- One-off awards where there is unclear disclosure or a lack of compelling rationale for their use.
- A remuneration committee that shows a lack of responsiveness to shareholder dissent in relation to pay.

The following situations are among those that raise warning signs, or a moderate level of concern:

- A peer group used to benchmark pay that is not completely aligned with the company in size or strategy;
- Incentive plans that use absolute performance metrics only;
- Long-term plans that do not have an additional holding period once the performance period ends;
- A lack of disclosure of performance metrics, targets, and actual pay outcomes, particularly in retrospective situations;
- A lack of a shareholding requirement for executives or one that is out of line with peers or market practice;
- Severance arrangements that are excessive or out of line with market best practice; and
- The remuneration committee's use only of positive discretion and/or holding of excessive authority to use discretion to determine pay outcomes.

Where these warning signs exist, elements of strong remuneration governance, such as board responsiveness and disclosure that includes data, rationale, and alternatives considered, can sometimes act to mitigate these concerns.

Equity remuneration plans

Equity remuneration plans for employees will be evaluated case by case.

Companies adopting equity-based remuneration plans for employees should align the plans with long-term shareholder interests and returns. When evaluating equity remuneration plans, four main factors are considered:

- Dilution to shareholders;
- The company's grant history;
- Where plans are specifically targeted to executives, alignment between executive participants, and long-term shareholder value creation through the use of appropriate metrics and vesting periods; and
- Alignment with market practice.

Nonexecutive director remuneration

Votes will generally be recommended for nonexecutive director fees that seem reasonable, are in line with peers, and take into account the amount of time required of the nonexecutive directors to fulfill their roles.

Votes will generally be recommended against the approval of any nonexecutive director fees where nonexecutive directors receive performance-related remuneration as part of their remuneration package. Votes on the approval of nonexecutive director fees will generally not be influenced by nonperformance-based equity awards to nonexecutive directors, though any such awards should be separate and distinct from executive incentive plans to minimize potential conflicts of interest. Votes will generally be recommended against retirement benefits for nonexecutive directors.

Termination payments

Termination benefits will be evaluated case by case.

Votes will generally be recommended against termination benefits in Australia if:

- The termination benefits beyond the 12-month cap have not been fully explained and justified to shareholders;
- They are paid out in instances of inadequate performance or voluntary departure without valid justification to shareholders; or
- Where unvested variable incentives are allowed to vest without respect of time elapsed or performance achieved.

Pillar IV: Shareholder rights

The Funds believe that companies should adopt governance practices to ensure that boards and management serve in the best interests of the shareholders they represent. Such governance practices safeguard and support foundational rights for shareholders. Proposals on many of the following matters may be submitted by either company management or shareholders; proposals—irrespective of the proponent—that seek approval for governance structures that safeguard shareholder rights will generally be supported (and those that do not will generally be opposed) as described below.

Board size

Votes will generally be recommended against proposals to limit the number of directors on the board or declare a "no vacancy."

Supermajority voting

Votes will generally be recommended against any proposal to extend supermajority voting requirements to decisions that are not stipulated by law and/or not in the best interest of minority shareholder rights. Shareholder proposals asking to remove supermajority voting requirements where not required by law will be evaluated case by case.

Additional share classes

The Funds believe that the alignment of voting and economic interests is a foundation of good governance. As such, companies issuing, or proposing to issue, more than one class of stock with different classes carrying different voting rights should bear in mind many investors' "one-share, one-vote" philosophy, while not hindering public capital formation in the equity markets. Furthermore, a newly public, dual-class company should consider adopting a sunset provision that would move the company toward a one-share, one-vote structure over time.

Proposals relating to the introduction of additional share classes with differential voting rights and proposals relating to the elimination of dual-class share structures with differential voting rights will be evaluated case by case.

Amendments to articles of association

Votes will generally be recommended for minor amendments that include any administrative or housekeeping updates and corrections. When evaluating all other amendments to the articles of association, the following will be considered:

- Any changes to corporate law and/or listing rules which may require an amendment to the articles of association;
- Whether the amendments may result in corporate governance structures and/or processes that are not best practice or are a regression from what the company already does (taking into account any explanation provided by the company for the change); and/or
- Whether the amendments are detrimental to shareholder rights generally.

In Australia, votes will generally be recommended against shareholder proposals submitted to amend the company's constitution to facilitate the submission of non-binding shareholder resolutions. This process should, in general, be addressed through regulatory changes that could establish a common

framework and safeguards, rather than through private ordering and modifications of the company's constitution.

Reincorporation

Management proposals to reincorporate to another domicile will be evaluated case by case based on the relative costs and benefits to both the company and shareholders. Considerations include the reasons for the relocation and the differences in regulation, governance, shareholder rights, and potential benefits.

Votes will generally be recommended against shareholder proposals to reincorporate from one domicile to another.

Shareholder proposals

All shareholder proposals will be evaluated case by case, taking into account the requests of the proposal, the level of prescription, the supporting rationale from the proponent and the company's response, and whether the board has already adequately addressed the issue or taken steps to address the issue outlined in the proposal.

Shareholder meeting rules and procedures

Other such matters that may come before the meeting. Votes will generally be recommended against proposals to approve other such matters that may come before the meeting.

Adjournment of a meeting to solicit more votes. In general, votes will be recommended for proposals to adjourn the meeting if the proposals in question are being supported and against such proposals if they are being opposed.

Bundled proposals. Bundled management proposals will be evaluated case by case.

Change of date, time, or location of annual general meeting. Votes will generally be recommended for management proposals to change the date, time, or location of the annual meeting if the proposed changes are reasonable.

Hybrid/virtual meetings. Votes will generally be recommended for proposals seeking permission to conduct "hybrid" meetings (in which shareholders can attend a meeting of the company in person or elect to participate online). Proposals to conduct "virtual-only" meetings (held entirely through online participation with no corresponding in-person meeting) may be supported. Virtual meetings should be designed by a company so as not to curtail shareholder rights—e.g., by limiting the ability for shareholders to ask questions.

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