Introduction

This is the seventh version of the Triodos Proxy Voting Guidelines (the ‘Guidelines’), which outline the broader voting philosophy for the Triodos Sustainable Investment funds. The Guidelines provide a reference framework for analysing resolutions put forward at shareholder meetings and for formulating voting recommendations. It is Triodos’ policy to further expand and update these Guidelines regularly in light of new developments.

The Guidelines are underpinned first and foremost by the broader mission of Triodos Bank, namely to contribute to a more people-oriented society – one which respects people, the environment and culture. Social, ethical as well as financial considerations are at the heart of Triodos’ business practices. Similarly, the Guidelines are developed in the belief that long-term business success will depend on the successful integration of social, cultural, environmental and financial considerations on business decisions.

Besides offering sustainable investment products, Triodos Bank aims to ensure constructive dialogue with investee companies to further stimulate responsible business practices, creating shareholder value. Voting is one of the instruments that can be used for this purpose. Triodos Bank considers the responsible use of voting rights an especially powerful tool to change public companies for the better. Triodos Investment Management BV, as manager of Impact Equities and Bond funds, has the power to exercise our voting rights on behalf of our clients. In line with our Investment Strategy, we see it as our duty to exercise these rights. We are therefore not engaged in empty voting and we do not lend out our voting rights to other investors. Moreover, as a sustainable investor, we seek to invest in companies that are not in fundamental conflict with our values and which deliver long-term value while remaining in harmony with society and the environment. A company that intends to deliver long-term value must effectively manage its relations with all its stakeholders, and be responsive to their needs and possibly changing demands. Triodos votes in a manner that supports the long-term interest of both shareholders and other company stakeholders, thereby fulfilling our fiduciary duties to our clients. Triodos votes manually, using basic voting advice from PIRC1 to which we apply our own voting guidelines.

1. For further information on PIRC, see www.pirc.co.uk

A detailed overview of all voting records on companies is published on the website (www.triodos-im.com). All investee companies are informed about our voting decisions in order to stimulate awareness. Proxy voting is only one of the instruments we use to stimulate sustainable business practices. It is part of our broader investment strategy. You may find our Investment Strategy document and voting records on our company website www.triodos-im.com

This document serves two key purposes: First, it aims to provide a point of reference for formulating consistent voting recommendations that are in the long-term interest of shareholders as well as other stakeholders of a company. By publishing this document, we want to provide necessary transparency and accountability as to our activities in this area.

Second, the document aims to provide a starting point for reflecting more generally on the role and responsibilities of shareholders in companies, and how shareholders’ rights could be used to improve corporate governance and bring further substance to ethical or sustainable investing. Ultimately, these Guidelines reflect Triodos’ view that our fiduciary obligations to the shareholders in our funds include an obligation to vote their proxies in a manner consistent with good corporate governance, and corporate social responsibility. We therefore also hope to further contribute to the debate on good corporate governance and the responsibilities of investors.

Structure of these Guidelines

The Guidelines are designed to explain the analysis undertaken as part of our proxy voting activities. The Guidelines have two main sections: Corporate Governance and Corporate Social Responsibility. The first section is sub-divided into four sub-sections, in line with the typical proposals that are put forward at shareholders’ meetings. These are: Annual Accounts, Discharge and Dividends and Repurchase of Shares; Directors Appointment and Remuneration; Auditors; and Share Capital and Shareholder Relations. Most of the time we vote in accord with management, therefore the first section on corporate governance voting describes when we do not support management. However, resolutions as described in section two are often unsupported by management; here we describe when we will support the shareholder proposal.

The structure of these Guidelines is identical to the previous version (January 2015). New reasons to abstain on or to vote against are marked with an *.
Triodos Voting Policy

Triodos does not believe in a one-size-fits-all approach and resolutions always have to be considered in the particular context, in which a company is operating, notably local standards of best practice. In general, Triodos’ voting recommendations are as follows:

For  The proposal reflects acceptable practice and is in the long-term interests of shareholders and other stakeholders of the company.

Abstain  The proposal does not meet acceptable practice but either the concern is not considered sufficiently material to warrant an oppose vote or an oppose vote could have a too detrimental impact on the company.2

Oppose  The proposal does not reflect acceptable practice and is not in the long-term interests of shareholders and other stakeholders of the company.

1. Corporate Governance

Annual Accounts, Discharge and Dividends

Annual Accounts

The annual accounts provide key information that enable shareholders and other stakeholders to assess a company's business, strategy and financial situation. It offers the directors of the company the opportunity to present and comment upon activities during the financial year under review and put forward future strategies and objectives. Consequently, the quality and accuracy of the information presented in this particular document are of key importance to investors. In addition to financial information, it has become more customary to include corporate governance as well as key environmental and social information in the annual report and/or in separate publications. We consider these issues to be an integral part of a company’s business and therefore an integral part of a company’s reporting. We also call upon all companies, particularly financial companies, to be transparent about their risk appetite.

Reasons to abstain from related resolutions might include the following:

• Failure to publish the annual report or to disclose important information on the meeting on time;
• Failure to disclose environmental and social risks that are of material importance;
• A resolution on articles of association bundles different changes in one resolution and these changes are not interrelated.

Reasons to vote against related resolutions might include the following:

• There are serious deviations from corporate governance best practices that are not sufficiently explained;
• The accounts have been qualified;
• There is non-compliance with relevant legal or regulatory (local market) requirements.

Discharge

Discharge of the Board typically constitutes formal acceptance of the facts presented in the annual report and the accounts. It also constitutes a declaration that no legal proceedings shall be instituted against the discharged body for its conduct of business during the period under review. The discharge is valid for the facts presented. Once discharge is granted, the rights of shareholders to seek compensation from damages are weakened and prosecution of board members becomes more difficult.

Reasons to vote against related resolutions might include the following:

• There is non-compliance with relevant legal or regulatory requirements;
• The auditors’ report expresses serious concerns over shortcomings in the conduct of Board members;
• There are pending or anticipated legal proceedings against one or several Board members that may be rendered more difficult in case the discharge is granted;
• Discharging the Board limits the shareholders’ right to pursue future legal action against the company in case of misbehaviour.

Dividends, return of capital or repurchase of shares

Dividends are a means for returning value to shareholders. The dividend policy of a company must be seen in a company’s particular context and will depend, inter alia, on the financial situation, capital requirements, growth prospects and available investment opportunities. In general, Triodos favours stable and/or predictable dividend policies and payments. In case extraordinary or super-dividends are proposed, the company should provide satisfactory explanations and justifications. In any case, it is important for companies to be accountable to shareholders for the funds they retain for investment purposes. If no satisfactory usage can be achieved within the company, funds should be returned to shareholders. This could be done by return of capital or the repurchase of shares. A company may wish to reward shareholders in exchange for share registrations in order for the company to get to know their shareholders’ identity and reward long-term investors. Loyalty dividends are designed to create an incentive for shareholders who intend to keep their shares longer term. It also allows more direct communication between shareholders and the company, leading to better relationships and committed shareholders. The loyalty dividend acts as a device that both rewards long-term shareholders and improves investor relations. Both voluntary registration

2. Triodos always expresses its concerns to the company.
and de-registration should be available. Triodos supports voluntary loyalty dividend programs.

Reasons to vote against related resolutions might include the following:
• There is reason to believe - because of the financial situation or other circumstances – that the current dividend level cannot be maintained and the company failed to provide satisfactory explanations;
• The company is not using funds adequately.

Directors Appointment and Remuneration

Directors Appointment
Company boards, whether in a one-tier board structure (Board of Directors) or a two-tier board structure (Supervisory Board and Executive Board) play a key role in guiding and supervising a company. Inter alia, they play an important role in defining the company’s strategy, establishing targets for executives, monitoring implementation and results, and controlling risks. Company boards must be active, independent, diverse and competent bodies, that bring together a broad range of expertise and that preferably consist of a healthy balance between male and female representation. Company boards are accountable to the company’s shareholders. Triodos considers it best practice if all directors are subject to a separate shareholder vote and we call upon companies to conduct a regular external board performance evaluation review.

Reasons to abstain from the appointment of executive directors may include:
• The terms of the contracts are not in line with local acceptable practice without explanation, and no acceptable review procedure is in place.
• Appointment or Termination provisions are considered excessive, inappropriate or not in line with local acceptable practice4.

Reasons to vote against the appointment of executive directors may include:
• There is evidence of patronage or directors have not been appointed via a formal appointment/nomination process;
• There is evidence that the director does not act impartially or not in the interest of the company;
• The roles of CEO and Chairman of the Board are combined;
• Insufficient biographical information is disclosed to assess the qualification of the nominee (disclosure should include gender, age, nationality, recent career history, external positions held, date of joining and term of office).

Reasons to abstain from appointment of non-executive directors may include:
• The nominee has a history of frequent non-attendance (> 25%) of board meetings without adequate justification;
• The nominee has in total more than 4 board positions (non-executive or supervisory) at major companies;
• The nominee has an executive position and more than 1 board position (non-executive or supervisory) at major companies;
• The nominee has two chairman positions (supervisory or 1-tier) at major companies

Reasons to vote against the appointment of non-executive directors may include:
• The nominee is not considered independent and the number of independent directors on the Board is insufficient (less than 50% or according to local best practices)4; independence of directors is assessed by board tenure (12 years or less according to local practices), family ties, financial ties, business relations, board cross-ties, over 10% shares, representing major shareholders, and former employment or management of the company;
• The nominee for Chairman of the Board was CEO of the company in the two years preceding his/her appointment;
• The nominee is Chairman of one of the Board committees and there are corporate practices that fall under the responsibility of this committee which are in serious conflict with acceptable corporate governance standards;
• The nominee is Chairman of the remuneration committee or the audit committee and not all members of the relevant committee are independent;
• The nominee is elected for the remuneration and/or audit committee and is not considered independent;
• Insufficient biographical information is disclosed to assess the independence and/or qualification of the nominee (disclosure should include age, recent career history, external positions held and date of joining);
• The nominee is responsible for a poor practice of the company;
• The nominee is a company5;
• The nominee is Chairman of the nomination committee and less than 20% of the Board is female (or male) without a satisfactory explanation;
• The nominee is a newly-elected director whose election would not improve the gender balance (and less than 20% of the Board before election is male or female).

Remuneration
Corporate boards play a key role in guiding and supervising a company and in securing its long-term success. Remuneration plays an important role in attracting top talent and providing the right incentives

3. In 2016, at the AGM of Wessanen, Triodos supported the re-election of the CEO, but voted against his proposed retention equity grant.
4. In 2016, Triodos supported shareholder resolutions requesting an independent Chairman at Baxter, Express Scripts, Comcast Corporation, and Stericycle.
5. In Spain, it is possible to elect a company as a director (usually a participating company). The board member representing the company can change over time.
for Board members to act in the long-term interest of the company and its various stakeholders. Other important factors that may attract and retain top talent may include the reputation of the company, sound governance arrangements, specific responsibilities assigned, social status etc. To ensure that corporate boards and their members exercise their responsibilities in a judicious manner, directors’ remunerations should be structured so as to attract and retain top talent, while at the same time aligning the interests of directors with the long-term interests of the company and its stakeholders. Both the level and the structure of remuneration should be set so as to achieve these goals. Conversely, inappropriate remuneration schemes may cause a waste of resources, may result in a focus on short-term results to the detriment of the long-term, may undermine the reputation of the company and may even contribute to corporate failure.

The remuneration policy of a company typically can include a fixed component (base salary) a short-term variable component (annual bonus), a long-term variable component (e.g. share option or share schemes) and other benefits (medical insurance, pension benefits and in-kind awards). Triodos Bank considers it a key responsibility of the Non-executive Board to define remuneration policies. Shareholders should, however, have the possibility to hold the Non-executive Board accountable for these policies. Currently, remuneration is still largely set in a local context and therefore, in assessing remuneration schemes, local standards of practice also need to be considered. Triodos Bank favours corporate social responsibility related targets with a long-term horizon for senior management.

Reasons to vote against related resolutions might include the following:

- There are serious concerns as to the manner and process in which the remuneration scheme was determined;
- There is inadequate transparency on the proposed remuneration scheme (considered are maximum individual awards, performance targets, rewarded targets, pension plans, vesting schemes, severance arrangements and composition of peer group);
- The contractual terms are in serious conflict with relevant best-practice standards (e.g. targets are not challenging and/or the terms may include a significant risk of ‘rewards for failure’);
- Payments are considered potentially excessive compared to local or international standards and no acceptable explanation is given by the company;
- The remuneration schemes fail to align the interests of directors with the long-term success of the company (this includes inappropriate variable remuneration, such as dividend-linked components or certain types of stock option awards);
- Appointment or Termination provisions are not in line with local acceptable practice;
- Executive Incentive Schemes potentially lead to unacceptable dilution of issued share capital.
- The proposed employee share incentive scheme includes an unacceptable discount for employees according to local market practices;
- The proposed employee share incentive scheme fails to align interests of the corporation and its employees;
- The proposed policy or scheme may be in conflict with the independence on non-executive directors.

Auditors

For shareholders and stakeholders alike it is of the highest importance that the annual accounts provide a true and fair view of the company’s financial situation. To this effect, the Board must set up an internal and external monitoring system. Within this framework, the external auditors fulfil a key function in providing an independent assessment of whether the annual accounts give a true and fair view of the company. Typically, the Board’s audit committee proposes the auditors. To fulfil their role in a meaningful manner and to avoid a mutual or conflicting interest between the auditor and the audited company, it is of crucial importance that the auditors are independent of the company and the company Board in fact and appearance.

Reasons to vote against related resolutions might include the following:

- The non-audit fees paid to the auditor are equal to or greater than 25% of the total annual audit fee (for audit, audit-related and non-audit services) in the year under review and over the previous three years without an acceptable explanation provided;
- The company does not fully disclose the audit fees and non-audit fees paid to the auditor;
- There are other reasons for questioning the independence of the auditors in fact or appearance;
- If there is a change of auditor proposed without sufficient explanation to justify this change;
- If the service of the auditor is extended for too long (> 7 years or according to local practice), which may result in excessive trust or insufficient objective testing.
- If the company fails to disclose the date of appointment of the auditor.

Share Capital and Shareholder Relations

The share capital structure of a company provides a general setting in which the company and its shareholders operate. Notably, the share capital structure defines certain shareholder rights, such as the right to vote, allowing direct influence at a company’s exercise of power. Modifications in the capital structure and/or capital increases will modify such relationships and the influence (some) shareholders may have on the company. Also, changes in the capital structure may have an important influence on conducting take-overs and mergers or being subject to these.

6. In 2016, Triodos supported shareholder resolutions on limiting accelerated vesting upon a change in control at Waste Management and Comcast Corporation.
Most codes of best practice recommend that voting rights should be exercised on a pro rata basis to the investment of capital and therefore promote the ‘one share – one vote’ principle. In assessing a particular (unequal) capital structure we will always bear in mind the particular history, context and mission of a company. We nevertheless consider broader shareholder participation in the decision-making process a welcome development. Responsible use of voting rights can play an important role in promoting corporate sustainability and thereby long-term success. Companies should therefore encourage and facilitate broader and responsible participation of shareholders in decision-making.

If authority is sought from shareholders to increase share capital, to conduct share buy-backs or to install (other) anti-takeover devices, the company should provide satisfactory explanation and justification. Share buy-backs are generally not considered beneficial to shareholders. Triodos believes in investment in the real economy, so related to actually producing goods and services. Shareholders should in principle only receive dividends and a surplus of cash should be used for investments in the real economy. Companies can also invest in energy-efficiency or green energy. Share buy-backs may increase the share price and earnings per share in the short term, thus giving a false impression that the company is doing well. In addition, the illusion of earnings per share growth may justify a higher executive pay package. In the long term, share buy-backs do not create any additional value. Share buybacks can be acceptable with a good explanation and will be assessed on a case-by-case basis.

Reasons to abstain on related resolutions might include the following:

- Proposed changes weaken the possibilities of shareholders to make responsible use of their rights without satisfactory explanation from the company as to why the proposal is in the best interest of all stakeholders, for example proposals that create unacceptable dilution of shares and anti-takeover measures;
- Proposed changes to weaken the voting rights of shareholders have a duration period of more than six months and they do not have a satisfactory explanation;
- Proposed share issue or share repurchase allows companies to buy or sell shares during a public offer period.

Reasons to vote against related resolutions might include the following:

- Proposed changes are not considered to balance the long-term interest of the company and its stakeholders;
- Proposed resolution considers a share buy-back authority without sufficient explanation on how the authority would benefit long-term shareholders, or when the company is using this authority very intensively/frequently*.

**Other**

Other corporate governance related resolutions may be put forward by the company or by shareholders. Triodos will assess these on a case-by-case basis, taking into account the principles set forth in this document, as well as relevant local practice and local or international best practice standards. Other corporate governance related resolutions are often on Political Donations and Acting by Written Consent.

**Political Donations**

Corporate political contributions may have an influence on elections and governments. Such contributions could be viewed as encouraging preferential treatment and interfering with the democratic process. Companies should not be regarded as ‘citizens’ with full democratic rights. Also, supporting industry associations that lobby could be inconsistent with the claim of good corporate citizenship.

Triodos will support proposals to disclose contribution amounts, and objectives and rationale for making such a contribution. Triodos will not support donations for political events, specific political parties, and relatively high contribution amounts. Triodos will also not support such resolutions when the company is not transparent about the exact nature of political donations.

**Acting by Written Consent**

In the US, shareholders have requested the right of Acting by Written Consent at a number of meetings. Acting by Written Consent allows shareholders to take action in lieu of a meeting via written consent of a predefined percentage of shareholders. Although this practice disadvantages minor or retail shareholders, it does not encourage and facilitate broader and responsible participation of shareholders in decision-making, as there is no meeting open to all shareholders and the company to discuss the issue. The practice disadvantages minor or retail shareholders. Furthermore, Acting by Written Consent is often used to force hostile take-overs, which Triodos does not always deem appropriate. Triodos prefers a Special General Meeting to discuss issues in-between AGM’s. Triodos will oppose such resolutions.

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7. In 2016, Triodos abstained on a shareholder proposal to eliminate super majority voting requirements at Tesla, and Triodos supported a shareholder resolution on the introduction of simple majority voting at Walt Disney.

8. In 2016, Triodos opposed such resolutions at Diageo and BT Group a.o.

9. Under Delaware law, shareholder action may be taken by written consent in lieu of a meeting, unless the certificate of incorporation either expressly prohibits action by consent or effectively prohibits it by requiring that such action be taken only by unanimous consent (Harvard Law School Forum on Corporate Governance).

10. In 2016, Triodos opposed a shareholder resolution at Cognizant on the Right to Act by Written Consent.
2. Corporate Social Responsibility

To ensure long-term success, companies will need to successfully balance the interests of their various stakeholders on which they depend, including shareholders, employees, customers and communities in which the company is active, as well as the natural environment. In a broader perspective, the global economy must find ways to become more sustainable. Notably, it must find ways to create wealth and increase living standards, while avoiding inequality and social exclusion and while preserving and protecting the environment we depend on. Companies are being asked to play a greater role in addressing the existing shortcomings and are subject to rising expectations. In several countries, notably in the United States, it has become common practice for shareholders to put forward resolutions at shareholder meetings in which they ask companies to strengthen corporate standards and management systems, as well as related reporting, that have a direct relation with sustainability. These resolutions vary in nature and must be analysed on a case-by-case basis. In general, when assessing the merits of relevant resolutions, Triodos will consider the following questions:

• Are the requests reasonable, considering the likely costs and benefits of implementing relevant measures?
• Are there any justifiable concerns with respect to confidentiality issues?
• Are the demands within the realm of influence and responsibility of the company?

In the past, Triodos has encountered shareholder resolutions on animal welfare, charitable donations, social supply chain standards, climate change and other environmental topics, sustainability reports, and more. Triodos supported most of these shareholder resolutions, in line with our investment criteria and mission. The section below provides an indicative selection of typical resolutions that have been tabled in the recent past at shareholder meetings and which Triodos would generally support if put forward again in the future. Triodos will report on the success rate of these proposals to measure their effectiveness.

Tax Transparency

In the recent past, many companies have been accused of tax avoidance, thus harming local communities and social services. With regard to tax payments, it is considered the social responsibility of a company to pay a fair amount of taxes in the countries where it operates. Although governments must develop proper legislation, companies ought to be transparent about tax payments, preferably through country-by-country reporting and by disclosing a tax policy or principles. Also, companies should refrain from moving or restructuring their organisation with the purpose of avoiding taxes. Triodos will support resolutions that challenge companies to be more transparent about tax policies and tax payments.

Disclosure on Lobbying Activities

Companies are increasingly criticised for their involvement in lobbying practices that contradict their commitments. For example in Europe, a number of car manufacturers were accused of lobbying against new greenhouse gas emission regulations for cars, whilst at the same time publicly committing to greener mobility. Triodos will support resolutions that request companies to better disclose lobbying activities.

Gender Equality

Stakeholders are increasingly calling upon companies to improve gender equality within the company, for example in relation to remuneration or to Board representation. Triodos will support resolutions that challenge companies to strive for gender equality as well as diversity.

Triodos Investment Management, December 2016 (7.0)

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11. In 2014, Triodos opposed a move of Pentair from Switzerland to Ireland, because of changed corporate governance regulations in Switzerland, and because of potential better corporate tax conditions in Ireland.
12. In 2014, Triodos supported shareholder resolutions at Google and Comcast Corporation to prepare a lobbying report, and a resolution at Google to publish tax principles.
13. In 2016, Triodos supported shareholder resolutions on gender pay equality at eBay and on gender equality and diversity at H&M.