

PROXY VOTING

Proxy Voting Principles

Robeco has adopted written procedures reasonably designed to ensure that we vote proxies in the best interest of our clients. The Robeco policy on corporate governance relies on the internationally accepted set of principles of the International Corporate Governance Network (ICGN). The ICGN Principles reflect both the Principles of Corporate Governance of the Organization for Economic Co-Operation and Development (OECD) and principles developed by the ICGN itself. The ICGN principles have been revised in November 2009.

Proxy Policy

The table below outlines Robeco's voting policy.

	<u>VOTING GUIDELINE</u>	<u>Associated ICGN Principle</u>
1	Assess amendments to the articles of associations or company's charter case by case	All
2	Assess amendment of quorum requirement case by case	All
3	Vote for approval of financial statements, director reports and auditor reports unless: <ul style="list-style-type: none"> ■ there are concerns on reliability of accounts or followed procedures ■ the company is unresponsive to shareholders' questions for information 	2.1, 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 8.4
4	Vote for the appointment of (statutory) auditors and associated compensation unless: <ul style="list-style-type: none"> ■ the company is unresponsive to shareholders' questions for information ■ the auditor is changed suddenly and without good reason 	6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 8.3, 8.4
5	Vote against a change of disclosure threshold of stock ownership other than 5% (SEC standard)	7.6, 8.4

	Associated ICGN Principle
<p style="text-align: center;"><u>VOTING GUIDELINE</u></p>	
<p>6 Vote for resolutions to change a company's fiscal term unless:</p>	7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 8.3, 8.4
<p>the motivation is to withhold shareholders' information or voting power for instance postponing the AGM</p>	
<p>7 Vote for discharge of board and management unless:</p> <ul style="list-style-type: none"> ■ there are clear concerns about performance of board and management in the period under review ■ other shareholders take legal action against the board 	2.1, 2.4, 2.8, 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 8.3, 8.4
<p>8 Vote for the proposed allocation of income unless:</p> <ul style="list-style-type: none"> ■ the payout is excessive given the company's financial position ■ the payout is below best practice minimums (now 30%) 	1.1, 8.3, 8.4
<p>9 Vote for stock dividend proposals unless:</p> <ul style="list-style-type: none"> ■ no cash option is included 	1.1, 8.3, 8.4
<p>10 Vote against approval of all other items for which information has not been disclosed</p>	7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 8.4
<p>11 Assess proposals to approve debt issuance secured with company's assets case by case</p>	1.1, 8.3, 8.4
<p>12 Assess proposals to increase debt or borrowing powers case by case</p>	1.1, 8.3, 8.4
<p>13 Vote for mergers and acquisitions unless:</p>	1.1, 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 8.3, 8.4
<ul style="list-style-type: none"> ■ not enough information is available and/or provided to make an informed decision 	
<ul style="list-style-type: none"> ■ voting rights or earnings distribution are altered disproportionately 	
<ul style="list-style-type: none"> ■ the structure following the merger or acquisition does not display good governance 	
<p>14 Assess proposals for reorganization and/or restructuring case by case</p>	1.1, 7.1, 7.2, 7.3, 7.4, 7.5, 7.6, 8.3, 8.4
<p>15 Vote for proposals to convert to a one share, one vote capital structure</p>	8.3, 8.4

<u>VOTING GUIDELINE</u>		<u>Associated ICGN Principle</u>
16	Vote for general issuance requests unless: <ul style="list-style-type: none"> ■ issuance exceeds 100% of currently issued capital ■ new issuance bears no pre-emptive rights 	1.1, 8.3, 8.4
17	Vote for increases in authorized capital unless: <ul style="list-style-type: none"> ■ new authorization exceeds 100% of current authorization ■ new authorization bears no pre-emptive rights less than 30% of the new authorization is outstanding	1.1, 8.3, 8.4
18	Vote against issuance request of preferred stock with superior rights to common shares	1.1, 8.3, 8.4
19	Vote for share repurchase and re-issuance plans unless: <ul style="list-style-type: none"> ■ the plan contains no safeguard against selective buybacks or re-issuance ■ there are concerns of abuse of repurchase and (selective) re-issuance plans 	1.1, 8.3, 8.4
20	Vote for reduction of capital requests unless: <ul style="list-style-type: none"> ■ terms are unfavourable to shareholders 	1.1, 8.3, 8.4
21	Vote for debt issuance proposals unless: <ul style="list-style-type: none"> ■ the issuance is excessive given the company's financial position the issuance bears superior rights to common shares when converted debt restructuring adversely affect shareholders' rights	1.1, 8.3, 8.4
22	Vote for the election of a director nominated by management unless: <ul style="list-style-type: none"> ■ past performance of the nominee shows clear concerns, including repeated absence at board meetings, criminal behaviour or breach of fiduciary responsibilities ■ a more suitable director nominated by shareholders is available for election ■ the board repeatedly shows unwillingness to implement good governance standards 	2.1, 8.4

	<u>VOTING GUIDELINE</u>	<u>Associated ICGN Principle</u>
23	Vote for the election of a director nominated by shareholders unless: <ul style="list-style-type: none"> ■ past performance of the nominee shows clear concerns ■ a more suitable director nominated by management is available for election 	2.1, 2.4
24	Vote against all anti-takeover mechanisms	8.3, 8.4
25	Assess compensation plans for executive directors case by case	5.1- 5.8, 8.4
26	Vote for the proposed compensation of non-executive directors unless: <ul style="list-style-type: none"> ■ the amount of compensation is excessive by country or industry standards ■ the proposal includes retirement benefits 	5.3, 8.4,
27	Vote against indemnification of executive directors or auditors	2.1, 2.4, 2.8, 6.1, 6.4
28	Vote for a fixed board size	2.1, 2.9
29	Vote for declassification of the board	2.9
30	Assess changes in board structure or size case by case	2.1, 2.9
31	Assess shareholder proposals case by case	8.3,8.4
32	Vote case by case on any other items	All

ICGN Statement on Global Corporate Governance Principles

The principles stated below are an exact reproduction of the ICGN Statement on Global Corporate Governance Principles, revised November, 2009 (London, UK).

1.0 Corporate objective

1.1 Sustainable value creation

The objective of companies is to generate sustainable shareholder value over the long term. Sustainability implies that the company must manage effectively the governance, social and environmental aspects of its activities as well as the financial. Each company needs over time to generate a return on the capital invested in it over and above the cost of that capital.

Companies will only succeed in achieving this in the long run if their focus on economic returns and their long-term strategic planning include the effective management of their relationships with stakeholders such as employees, suppliers, customers, local communities and the environment as a whole.

2.0 Corporate boards

2.1 Directors as fiduciaries

Members of company boards are fiduciaries who must act in the best interests of the company and its shareholders and are accountable to the shareholder body as a whole. As fiduciaries, directors owe a duty of care and diligence to, and must act in the best interests of, the company.

2.2 Effective board behaviour

Boards need to generate effective debate and discussion around current operations, potential risks and proposed developments. Effective debate and discussion requires:

- (a) that the board has independent leadership;
- (b) that the chair works to create and maintain a culture of openness and constructive challenge which allows a diversity of views to be expressed;
- (c) that there is a sufficient mix of relevant skills, competence, and diversity of perspectives within the board to generate appropriate challenge and discussion;
- (d) that the independent element of the board is sufficiently objective in relation to the executives and dominant shareholders to provide robust challenge without undermining the spirit of collective endeavour on the board;
- (e) that the non-executive element of the board have enough knowledge of the business and sources of information about its operations to understand the company sufficiently to contribute effectively to its development;
- (f) that the board is provided with enough information about the performance of the company and matters to be discussed at the board, and enough time to consider it properly; and
- (g) that the board is conscious of its accountability to shareholders for its actions.

2.3 Responsibilities of the board

The board's duties and responsibilities and key functions, for which they are accountable, include:

- (a) Reviewing, approving and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures.
- (b) Overseeing the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place; in particular, financial and operational control, and compliance with the law and relevant standards.
- (c) Ensuring a formal and transparent board nomination and election process.
- (d) Selecting, remunerating, monitoring and, when necessary, replacing key executives and overseeing succession planning.
- (e) Aligning key executive and board remuneration with the longer term interests of the company and its shareholders.
- (f) Overseeing a formal risk management process, including holding an overall risk assessment at least annually.

(g) Monitoring and managing potential conflicts of interest of management, board members, shareholders, external advisors and other service providers, including misuse of corporate assets and related party transactions.

(h) Monitoring the effectiveness of the company's governance practices and making changes as needed to align the company's governance system with current best practices.

(i) Carrying out an objective process

of self-evaluation, consistently seeking to enhance board behaviour and effectiveness.

(j) Overseeing the process of disclosure and communications, and being available for dialogue with shareholders.

Carrying out these roles requires a positive working relationship with executive management but also the ability to call management independently to account. This means that the board will need at times to meet without management present.

2.4 Composition and structure of the board

2.4.1 Skills and experience

The board should consist of directors with the requisite range of skills, competence, knowledge, experience and approach, as well as a diversity of perspectives, to set the context for appropriate board behaviours and to enable it to discharge its duties and responsibilities effectively.

2.4.2 Time commitment

All directors need to be able to allocate sufficient time to the board to perform their responsibilities effectively, including allowing some leeway for occasions when greater than usual time demands are made. They should assess on an ongoing basis if new activities may limit their ability to carry out their role at the company, and boards should make substantive disclosures regarding the results of these regular assessments.

2.4.3 Independence

Alongside appropriate skill, competence and experience, and the appropriate context to encourage effective behaviours, one of the principal features of a well-governed corporation is the exercise by its board of directors of independent judgement, meaning judgement in the best interests of the corporation free of any external influence on any individual director or the board as a whole. In order to provide this independent judgement, and to generate confidence that independent judgement is being applied, a board should include a strong presence of independent non-executive directors with appropriate competencies including key industry sector knowledge and experience. There should be at least a majority of independent directors on each board.

Not all non-executive directors will be fully independent of the executives or from dominant shareholders. Among the factors which can impact the independence of non-executive directors are the following:

(a) former employment with the company, unless there is an appropriate period of years between the end of the executive role and joining the board;

(b) personal, business or financial relationships between the directors and the company, its key executives or large shareholders;

(c) length of tenure; and

(d) the receipt of incentive pay which aligns the director's interests with those of the executives rather than the shareholders.

While these are important factors, independence is more than anything a state of mind, requiring a disciplined and challenging approach to the role. Every company should make substantive disclosures as to its definition of independence and its determination as to whether each member of its board is independent. Any deviation from local

best practice on independence should be disclosed and explained. Notwithstanding any perceived lack of independence, all directors are fiduciaries and so are obliged to exercise objective judgement in the best interests of the company. All are expected to bring independence of mind to board decisions.

2.4.4 Composition of board committees

Every company should establish separate board subcommittees for audit, remuneration and governance or nomination matters. Companies should also give due consideration to establishing a separate and independent risk committee. The remit, composition, accountability and working procedures of all board subcommittees should be well-defined and disclosed.

By establishing such subcommittees, a board does not delegate its obligations in respect of the issues covered. Subcommittees are established to assist the board to consider effectively these issues which require special competence and independence. Thus the subcommittees should report regularly and formally to the board as a whole, and the board as a whole will need to challenge and debate key issues in order to assure itself that the issues are handled appropriately.

The members of these key board committees should be solely non-executive directors, and in the case of the audit and remuneration committees, solely independent directors.

All members of the nominations committee should be independent from management and at least a majority independent from dominant owners.

2.5 Role of the chair

The chair has the crucial function of setting the right context in terms of board agenda, the provision of information to directors, and open boardroom discussions, to enable the directors to generate the effective board debate and discussion and to provide the constructive challenge which the company needs. The chair should work to create and maintain the culture of openness and constructive challenge which allows a diversity of views to be expressed.

This role will be most effectively carried out where the chair of the board is neither the CEO nor a former CEO. Furthermore, the chair should be independent on the date of appointment as chair and should not participate in executive remuneration plans. If the chair is not independent, the company should adopt an appropriate structure to mitigate the problems arising from this. Where the chair is not independent, the company should explain the reasons why this leadership structure is appropriate, and keep the structure under review.

The chair should be available to shareholders for dialogue on key matters of the company's governance and where shareholders have particular concerns. Such meetings may need to be held with the deputy chair or lead independent director either as an alternative or additionally. All board members should make themselves available for meetings with shareholders when an appropriate request is made.

2.6 Lead independent director

Companies should appoint an independent deputy chair or lead independent director. Where the chair is the CEO or former CEO or is otherwise not independent on appointment, the role of the lead independent director is of particular importance in providing independent leadership of the board. The lead independent director in such a context will have a key role in agreeing the agenda for board meetings and should have powers to call board meetings and otherwise act as a spokesperson for the independent element of the board.

Even where the chair was independent on appointment, the scale of the role inevitably brings him or her closer to the executive management than the rest of the board, and the lead independent director's role is to ensure that the independent element of the board has leadership where this raises issues. The lead independent is also a crucial conduit

for shareholders to raise issues of particular concern and should make him- or her-self available to shareholders appropriately in order to fulfil this role.

2.7 Company secretary

All board members must receive the information that they need properly to understand the company's operations and progress, and also need a channel to seek independent expertise and advice where appropriate. Where the position exists, the company secretary acts as a crucial resource for the chair and for the board as a whole, providing practical guidance as to their duties and responsibilities under relevant law and regulation and playing a critical role in ensuring that the board receives the information and independent advice that it needs. Where companies do not have an individual who carries out such functions they should consider appointing one.

2.8 Knowledge of company

To function effectively, all directors need appropriate knowledge of the company and access to its operations and staff. Directors should make sufficient visits to company operations to gain appropriate insight into the culture and performance of the organisation. Board meetings should also include time to challenge an appropriate range of senior executives. Directors need sufficient and appropriate information about the performance of the company and other matters to be considered at the board with sufficient time to consider it properly.

2.9 Appointment of directors

2.9.1 Election of directors

Directors should be conscious of their accountability to shareholders, and many jurisdictions have mechanisms to ensure that this is in place on an ongoing basis. There are some markets however where such accountability is less apparent and in these each director should stand for election on an annual basis. Elsewhere directors should stand for election at least once every three years, though they should face evaluation more frequently. Shareholders should have a separate vote on the election of each director, with each candidate approved by a simple majority of shares voted, and sufficient time and information to make a considered voting decision. Information on the appointment procedure should also be disclosed at least annually.

Shareholders should be able to nominate directors to the board both by proposing prospective candidates to the appropriate board committee and by directly nominating candidates on the company's proxy.

2.9.2 Information on board nominees

Companies should disclose upon nomination or appointment to the board and thereafter at least annually information on the identities, core competencies, professional or other backgrounds, recent and current board and management mandates at other companies, factors affecting independence, board and committee meeting attendance and overall qualifications of board members and nominees as well as their shareholding in the company so as to enable investors to weigh the value they bring.

Companies should also disclose the process of succession planning for the non- executive members of the board, as well as for senior management.

2.10 Board and director development and evaluation

A board should have in place a formal process of induction for each new director so that they are well-informed about the company early in their tenure and are able to perform effectively from as early as possible. Directors should also be enabled and encouraged to participate in ongoing training and education to assist them to fulfil their role most effectively.

Every board of directors should evaluate rigorously its own performance, the performance of its committees and the performance of individual directors on a regular basis. It should consider engaging an outside consultant to assist in the process. The performance of individual directors should be assessed at least prior to each proposed re-nomination. Companies should disclose the process for such evaluations and the principal lessons learned from the evaluation of the board and its committees.

2.11 Related party transactions and conflicts

2.11.1 Related Party Transactions

Companies should have a process for reviewing and monitoring any related party transaction. A committee of independent directors should review significant related party transactions to determine whether they are in the best interests of the company and if so to determine what terms are fair. The company should disclose details of all material related party transactions in its annual report.

2.11.2 Director Conflicts of Interest

Companies should have a process for identifying and managing conflicts of interest directors may have. If a director has an interest in a matter under consideration by the board, then the director should not participate in those discussions and the board should follow any further appropriate processes. Individual directors should be conscious of shareholder and public perceptions and seek to avoid situations where there might be an appearance of a conflict of interest.

3.0 Corporate culture

3.1 Culture and ethical behaviour

Companies should engender a corporate culture which ensures that employees understand their responsibility for appropriate behaviour. The board should seek actively to cultivate and sustain an ethical corporate culture in the company. The company should take active measures to ensure that its ethical standards are adhered to in all aspects of its business.

3.2 Integrity

The board is responsible for overseeing the implementation and maintenance of a culture of integrity. The board should encourage a culture of integrity permeating all aspects of the company, and ensure that its vision, mission and objectives are ethically sound.

3.3 Codes of ethics and conduct

Companies should develop a code of ethics and/or a code of conduct which will apply across the organisation. The code should stipulate the ethical values of the organisation as well as include more specific guidelines for the company in its interaction with its internal and external stakeholders. Such codes must be actively and effectively communicated across the company, and should be integrated into the company's strategy and operations. There should be appropriate training programmes in place to enable staff to understand such codes and apply them effectively and sufficient support and compliance assessments to assist employee performance in these matters.

Boards should regularly consider whether such codes remain complete and appropriate. Any decision to set aside such codes in particular circumstances should be formally considered at board level. Codes of ethics and codes of conduct should also be made available to shareholders.

3.4 Bribery and corruption

Bribery and corruption are incompatible with good governance and harmful to the creation of long-term value. The board should create and sustain appropriately stringent policies and procedures to avoid company involvement in any

such behaviour. The expectations of ICGN members in this regard are set out in detail in the ICGN Statement and Guidance on Anti-Corruption Practices.

3.5 Employee share dealing

Companies should have clear rules regarding any trading by directors and employees in the company's own securities. Among other issues, these must seek to ensure that individuals do not benefit from knowledge which is not generally available to the market.

3.6 Compliance with laws

Companies should adhere to all applicable laws of the jurisdictions in which they operate. Sometimes such compliance alone will be insufficient: exceptions permitted in local laws and shortcomings in the laws of particular jurisdictions should also be handled in a responsible manner.

3.7 Whistle-blowing

The board should ensure that the company has in place a mechanism whereby an employee, supplier or other stakeholder can without fear of retribution raise issues of particular concern with regard to potential or suspected breaches of a company's code of ethics or conduct, or any other failure to comply with laws or standards. The board should assure itself that any concerns raised in such a way are handled appropriately.

4.0 Risk management

4.1 Effective and appropriate risk management

Companies need to take risks, for without risks there will be no returns. However, boards need to understand and ensure that proper risk management is put in place for all material and relevant risks that the company faces.

4.2 Dynamic management process

The board has the responsibility to ensure that the company has implemented an effective and dynamic ongoing process to identify risks, measure their potential outcomes, and proactively manage those risks to the extent appropriate. The board should also determine the company's risk-bearing capacity and the tolerance limits for key risks, to avoid the company exceeding an appropriate risk appetite. This process needs to be a dynamic one to respond to risks as they develop and as the company's business and marketplace develops. If necessary the board should seek independent external support to supplement internal resources.

4.3 Board oversight

Companies should maintain a documented risk management plan. At least annually, the board should approve the risk management plan which it is then the responsibility of management to implement.

4.4 Comprehensive approach

Risk identification should adopt a broad approach and not be limited to financial reporting; this will require consideration of relevant financial, operational and reputational risks.

4.5 Disclosure

Companies should disclose sufficient information about their risk management procedures to reassure their shareholders that they are appropriately robust. Disclosures should include the handful of particularly key risks which the company faces.

5.0 Remuneration

5.1 Alignment with long term

Remuneration structures for senior management should be appropriately aligned with the drivers of value-creation over time-scales appropriate both for a company's business and for its shareholders.

5.2 Link to value-creation

Executive pay should incentivise value- creation within companies and should effectively align the interests of executives with those of shareholders. Remuneration structures and frameworks should reinforce, not undermine, the corporate culture. Performance measurement should incorporate risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its shareholders, and performance should be measured over timescales which are sufficient to determine that value has in fact been added for the company and its shareholders. The expectations of ICGN members in this regard are set out in detail in the ICGN Remuneration Guidelines.

5.3 Pay for non-executive directors

Pay for non-executive directors should not be structured in a way which risks compromising their independence from management or from controlling shareholders. The expectations of ICGN members in this regard are set out in detail in the ICGN Non-executive Director Remuneration Guidelines.

5.4 Transparency

The company should make substantive disclosure of all significant aspects of remuneration policies and structures for key executives, and in particular the performance metrics which are in place to incentivise value-creation, to incorporate risk management considerations and to align the interests of executives with those of shareholders. Disclosure should include how the awards made in a given year were determined and how they are appropriate in the context of the company's underlying financial performance. The company should also disclose any advisers to the remuneration committee and whether they are deemed independent.

5.5 Share ownership

Every company should have and disclose a policy concerning ownership of shares of the company by senior managers and executive directors with the objective of aligning the interests of these key executives with those of shareholders.

5.6 Hedging

The use of derivatives or other structures to hedge director or executive share ownership or unvested equity-linked remuneration undermines the alignment of interests which that share ownership and remuneration is intended to provide. Companies should therefore have agreed policies which bar such hedging.

5.7 Shareholder approval and dialogue

The equity-linked remuneration for key executives should always be subject to shareholder approval. Furthermore, because remuneration is an area of particular controversy and where there is a particular risk of conflicts of interest, the introduction of annual votes on remuneration packages and/or remuneration policies should be encouraged in markets around the world, as a way of supporting the board carrying forward its responsibility to properly align executive incentives.

Where a significant change to remuneration structures is proposed or where significant numbers of shareholders have opposed a remuneration resolution, the board should proactively seek dialogue with shareholders with the aim of addressing their concerns.

5.8 Employee remuneration

Employee remuneration is a driver of corporate culture as the pay for the majority of staff is a significant factor in determining and developing a company's culture. As with senior management, remuneration structures and frameworks should reinforce, not undermine, the corporate culture. Again as with senior management, performance measurement for staff remuneration should incorporate risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its shareholders, and performance should be measured over timescales which are sufficient to determine that value has in fact been added for the company and its shareholders.

Shareholders would welcome disclosure by boards that they are confident appropriate pay structures are in place to promote and enhance the corporate culture.

6.0 Audit

6.1 Robust and independent audit

Companies should aspire to robust, independent and efficient audit processes using external auditors in combination with the internal audit function.

6.2 Annual audit

The annual audit carried out on behalf of shareholders is an essential part of the checks and balances required at a company. It should provide an independent and objective opinion that the financial statements fairly represent the financial position and performance of the company in all material respects, give a true and fair view of the affairs of the company and are in compliance with applicable laws and regulations.

6.3 Scope of audit

The minimum scope of the audit will be as prescribed by applicable law, and the audit committee of the board should agree a scope that is sufficient for the company's purposes. Shareholders should also have the right to expand the scope of the audit.

6.4 Independent audit

Annual audits should be carried out by an independent, external audit firm which should be proposed by or with the assistance of the audit committee of the board for approval by the shareholders. The audit committee should have regular and ongoing dialogue with the external auditor without management being present.

Any resignation of an auditor should be publicly disclosed. The departing auditor should publicly communicate the reasons for such a resignation.

6.5 Ethical standards

The auditors should observe high-quality auditing and ethical standards. To limit the risk of possible conflicts of interest, non-audit services and fees paid to auditors for non-audit services should be both approved in advance by the audit committee and disclosed in the annual report. No audit firm staff involved in the audit should be rewarded in any way for selling, or the provision of, non-audit services.

6.6 Internal audit

Companies should establish and maintain an effective internal audit function that has the respect, confidence and co-operation of both the board and management. Where the board decides not to establish such a function, full reasons for this should be disclosed in the annual report, as well as an explanation of how adequate assurance has been maintained in its absence.

The internal audit function should have a functional reporting line to the audit committee chair. The audit committee should be ultimately responsible for the appointment, performance assessment and dismissal of the head of internal audit or outsourced internal audit provider. The external auditor should not provide internal audit services to the company.

6.7 Audit committee role

The company's interaction with the external auditor should be overseen by the audit committee of the board on behalf of the shareholders. The audit committee seeks to assure itself and shareholders of the quality of the audit carried out by the auditors as well as overseeing their independence. The audit committee should maintain oversight of key auditing decisions as well as key accounting decisions. The audit committee should recommend to the board for consideration and acceptance by shareholders the appointment, reappointment and, if necessary, the removal of the external auditors. The board should disclose and explain this process and the process by which the audit committee assures itself of the ongoing independence of the external auditors.

7.0 Disclosure and transparency

7.1 Transparent and open communication

Every company should aspire to transparent and open communication about its aims, its challenges, its achievements and its failures.

7.2 Timely disclosure

Companies should disclose relevant and material information concerning themselves on a timely basis, in particular meeting market guidelines where they exist, so as to allow investors to make informed decisions about the acquisition, ownership obligations and rights, and sale of shares.

7.3 Affirmation of financial statements

The board of directors and the appropriate officers of the company should affirm at least annually the accuracy of the company's financial statements or financial accounts.

7.4 Accounting standards

To attract international investors, companies should apply accounting and financial reporting standards which are generally accepted high-quality international accounting standards.

The audit committee of the board should maintain oversight of key accounting policies and key accounting judgements taken under those policies. The accounting policies should be disclosed in the company's annual report.

7.5 Non-financial business reporting

The reporting of relevant and material non-financial information is an essential part of the disclosure required to enable shareowners and investors to make informed decisions on their investments. The expectations of ICGN members in this regard are set out in detail in the ICGN Statement and Guidance on Non-financial Business Reporting.

7.6 Disclosure of ownership

In addition to financial and operating results, company objectives, risk factors, stakeholder issues and governance structures, the disclosures should include a description of the relationship of the company to other companies in the corporate group, data on major shareholders and any other information necessary for a proper understanding of the company's relationships with its public shareholders.

8.0 Shareholder rights

8.1 Accountability

Shareholders expect to have appropriate rights to ensure that boards are accountable for their actions.

8.2 Corporate charter

Companies should publicly disclose their corporate charter or articles of association in which, among other things, the rights of shareholders are clearly set out. Any changes to these should be subject to shareholder approval.

8.3 Shareholder protections

Boards should treat all the company's shareholders equitably and should respect and not prejudice the rights of all investors. Boards should do their utmost to enable shareholders to exercise their rights, especially the right to vote, and should not impose unnecessary hurdles.

8.3.1 Unequal voting rights

Companies' ordinary or common shares should feature one vote for each share. Divergence from a 'one-share, one-vote' standard which gives certain shareholders power disproportionate to their equity ownership should be both disclosed and justified. Companies should keep such structures under regular review, and put their retention up for regular approval by shareholders. Any such structures should be accompanied by commensurate extra protections for minority shareholders.

8.3.2 Shareholder participation in governance

Shareholders should have the right to participate in key corporate governance decisions, such as the right to nominate, appoint and remove directors on an individual basis and also the right to appoint the external auditor.

8.3.3 Major decisions

The nature of a company that shareholders have invested in should not change without shareholders having the opportunity to give their approval to that change. Such changes include major transactions, the issue of significant portions of shares and changes to the articles or by-laws. Further, companies should not implement shareholder rights plans or so-called 'poison pills', nor any other structures that have the effect of anti-takeover mechanisms, without shareholder approval. Not only should there be a shareholder vote with regards to any significant related party transaction, but only non-conflicted shareholders should be able to vote on it.

8.3.4 Pre-emption

New issues of shares should be made on a pre-emptive basis, that is offered proportionately to existing shareholders. Shares should not be issued on a non-pre-emptive basis unless existing shareholders have given their prior approval.

8.3.5 Shareholders' right to call a meeting of shareholders

Companies should enable holders of a specified portion of its outstanding shares or a specified number of shareholders to call a meeting of shareholders for the purpose of transacting the legitimate business of the company. While it is appropriate to limit vexatious proposals, these hurdles should be low enough to enable appropriate accountability of the company to its shareholders. Shareholders should be enabled to work together to make such a proposal.

8.3.6 Shareholder resolutions

Companies should enable holders of a specified portion of its outstanding shares or a specified number of shareholders to put resolutions to a shareholders meeting. While it is appropriate to limit vexatious proposals, these hurdles should be low enough to enable appropriate debate and discussion on issues of importance to shareholders. Shareholders should be enabled to work together to make such a proposal.

8.3.7 Shareholder questions

Shareholders should be provided with the right to ask questions of the board, management and the external auditor both before and at meetings of shareholders, including questions relating to the board, its governance and the external audit.

8.3.8 Consultation among institutional shareholders

Institutional shareholders should not face regulatory barriers to discussions regarding forthcoming voting decisions or concerning other basic shareholder rights. Concert party rules and/or takeover regulations should not prevent ongoing shareholders from sharing perspectives about companies in which they have mutual interests.

8.4 Voting-related rights

8.4.1 Shareholder ownership rights

The exercise of ownership rights by all shareholders should be facilitated, including giving shareholders timely and adequate notice of all matters proposed for shareholder vote.

8.4.2 Vote execution

Votes cast by intermediaries should be cast only in accordance with the instructions of the beneficial owner or its authorized agent.

8.4.3 Vote count

Equal effect should be given to votes whether cast in person or in absentia and meeting procedures should ensure that all votes are properly counted and recorded.

8.4.4 Disclosing voting results

Companies should make a timely announcement of the outcome of a vote and publish voting levels for each resolution promptly after the meeting.

8.5 Shareholder rights of action

Shareholders should be afforded rights of action and remedies which are readily accessible in order to redress conduct of a company which treats them inequitably. Minority shareholders should be afforded protection and remedies against abusive or oppressive conduct.

8.6 Record of ownership of a company's shares

Every company should maintain a record of the registered owners of its shares or those holding voting rights over its shares. Every company should be entitled to require registered owners to provide the company with the identity of beneficial owners or holders of voting rights. Shareholders should be able to review this record of registered owners of shares or those holding voting rights over shares.

8.7 Promoting shareholder rights

Where the rights discussed above are not available in particular jurisdictions, local regulators are to be encouraged to put these rights in place. Where local law does not prevent it, companies should themselves enable shareholders to exercise these rights.

9.0 Shareholder responsibilities

9.1 Alignment

Shareholders should act in a responsible way aligned with the company's objective of long-term value creation. Institutional shareholders must recognise their responsibility to generate long term value on behalf of their beneficiaries, the savers and pensioners for whom they are ultimately working.

Institutional shareholders should be ready, where practicable, to enter into a dialogue with companies in order to achieve a common understanding of objectives.

9.2 Integration into mandates

Pension funds and those in a similar position of hiring fund managers should insist that fund managers put sufficient resource into governance analysis and engagement which deliver long term value.

9.3 Integration into investment decision-making

Shareholders should take governance factors into account and consider the riskiness of a company's business model as part of their investment decisionmaking. Moreover, shareholders should develop and improve their capacity to analyse and influence governance risks and opportunities at investee companies for the benefit of their own beneficiaries, as well as acting with fiduciary responsibility to promote better governance at those companies. To exercise this responsibility, shareholders should contribute to the improvement in the functioning of boards of directors, to strengthening the accountability of management and to promoting information disclosure and transparency.

9.4 Collaboration

Where appropriate, shareholders should collaborate where this will enable them to achieve results most effectively.

9.5 Active and considered voting

Shareholders should actively vote at Annual and Extraordinary General Meetings. Votes should always be cast in a considered manner. Institutional shareholders should publicly disclose their voting policies and practices. They should recognise that they lose their voting rights when they lend stock. In order for votes to be cast, lent stock needs to be recalled. It is also important to monitor stock lending in connection with short selling. The ICGN's recommendations in this area are set out in its Securities Lending Code of Best Practice.

9.6 Commitment to Principles

Institutional shareholders should formally commit to the principles laid out in the ICGN Statement of Principles on Institutional Shareholder Responsibilities (2007). The ICGN encourages investors in major markets to develop local principles, to be applied on a comply or explain basis, to further promote transparency and accountability across the investment chain.

9.7 Internal corporate governance

Institutional shareholders should consider their own internal corporate governance, ensuring the proper oversight of their management, acting in the interests of their beneficiaries and managing conflicts of interest.