



International

Public Fund Proxy Voting Guideline Updates

2015 Policy Recommendations

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OPERATIONAL ITEMS

Appointment of Auditors and Auditor Compensation

Current Recommendation: *Ratifying Auditors*

Vote for the reelection of auditors and proposals authorizing the board to fix auditor fees, unless:

- › There are serious concerns about the procedures used by the auditor;
- › There is reason to believe that the auditor has rendered an opinion, which is neither accurate nor indicative of the company's financial position;
- › External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company;
- › Name of the proposed auditors has not been published;
- › The breakdown of audit or non-audit fees is not disclosed or provided in a timely manner (in markets where such information is routinely available);
- › The auditors have been changed without explanation; or
- › Fees for non-audit/consulting services exceed a quarter of total fees paid to the auditor.

Vote AGAINST auditor remuneration proposals if a company's non-audit fees are excessive and auditor remuneration is presented as a separate voting item.

In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergencies, and spin-offs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.

Public Fund Advisory Services will apply its U.S. policy at U.S. firms incorporated in offshore tax and governance havens that do not qualify for disclosure exemptions, and vote AGAINST the reelection of auditors where auditor tenure exceeds seven years.

Key Changes:

Expand the factors that are specifically taken into account related to audit/non-audit fees under the current policy to include breaches of local recommendations and/or legislation on non-audit fees as grounds for against recommendations.



New Recommendation: Vote for the reelection of auditors and proposals authorizing the board to fix auditor fees, unless:

- › There are serious concerns about the procedures used by the auditor;
- › There is reason to believe that the auditor has rendered an opinion, which is neither accurate nor indicative of the company's financial position;
- › External auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company;
- › Name of the proposed auditors has not been published;
- › The breakdown of audit or non-audit fees is not disclosed or provided in a timely manner (in markets where such information is routinely available);
- › The auditors have been changed without explanation; or

- › Fees for non-audit/consulting services exceed a quarter of total fees paid to the auditor or any stricter limit set in local best practice recommendations or law.

Vote AGAINST auditor remuneration proposals if a company's non-audit fees are excessive and auditor remuneration is presented as a separate voting item.

In circumstances where fees for non-audit services include fees related to significant one-time capital structure events: initial public offerings, bankruptcy emergencies, and spin-offs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.

Public Fund Advisory Services will apply its U.S. policy at U.S. firms incorporated in offshore tax and governance havens that do not qualify for disclosure exemptions, and vote AGAINST the reelection of auditors where auditor tenure exceeds seven years.

Rationale for Update:


The updated policy ensures the alignment of Public Fund Advisory Services' guidelines with evolving market standards.

SHAREHOLDER RIGHTS & DEFENSES

Unilateral Adoption of an Advance Notice Provision - Canada

Current Recommendation: None

Key Changes: Adopt a policy to enhance board accountability in cases where an advance notice policy has been adopted and is effective, but subsequent shareholder approval for the policy has not been requested or obtained.

 **New Recommendation:** Generally withhold from individual directors, committee members, or the entire board as appropriate in situations where an advance notice policy has been adopted by the board but has not been included on the voting agenda at the next shareholders' meeting.


Continued lack of shareholder approval of the advanced notice policy in subsequent years may result in further withhold recommendations.

Rationale for Update: Institutional shareholders' concerns related to advance notice requirements continue to increase in light of certain problematic provisions included within these bylaws/policies, which could potentially interfere with a shareholder's ability to nominate director candidates to the board of directors. The ability for shareholders to put forward potential nominees for election to the board is a fundamental right and should not be amended by management or the board without shareholders' approval, or, at a minimum, with the intention of receiving shareholder approval at the next annual or annual/special meeting of shareholders. As such, the board of directors, as elected representatives of shareholders' interests, and as the individuals primarily responsible for corporate governance matters, should be held accountable for allowing such policies to become effective without further shareholder approval. Furthermore, disclosures regarding these policies should be made available to shareholders (similar to shareholder proposal deadline disclosures or majority voting policy disclosures) because they are substantive changes that may impact shareholders' ability to nominate director candidates. Failure to provide such disclosure is not in shareholders' best interests.

Impact of the Florange Act (France)- Double Voting Rights

Current Recommendation: Not applicable

Key Changes: Adopt policies to encourage the continuation of one-share, one vote voting rights at French companies whose bylaws are currently silent on the issue, through:

 **New Recommendation:** Adopt policies to encourage the continuation of one-share, one vote voting rights at French companies whose bylaws are currently silent on the issue, through:

- › The support of management and shareholder proposals prohibiting double-voting rights, and
- › By recommending against the reelection of directors; else the approval of discharge, else the approval of annual reports and accounts if the company does not have a bylaw amendment on its ballot, or commit to submitting such a bylaw for shareholder approval.

Rationale for Update:

Under the Florange Act (Loi Florange), registered shares held for two years will automatically acquire double-voting rights, thereby breaching the widely subscribed-to one-share, one-vote principle. Prior to this act, French companies were allowed to grant double-voting rights to registered shareholders after a minimum of two years only when they had a bylaw provision specifically allowing for it.

Companies whose bylaws already allowed for double voting rights before the enactment of the Florange Act are exempt from this policy. For companies whose bylaws are silent on voting rights, action is necessary to preclude the automatic granting of double voting rights by a shareholder-approved bylaw amendment. Bylaw amendments in France, either in the form of a management proposal or as a shareholder proposal, require the approval of two-thirds of voting rights to be enacted. 2015 is the last full year when French listed companies whose bylaws are silent can amend their bylaws to retain the one-share, one-vote principle, before the automatic introduction of double-voting rights. The two-year holding period triggering the automatic acquisition of double-voting rights started on April 3, 2014. This means that French companies that did not already prohibit double-voting rights in their bylaws have to submit such bylaws amendment by April 2, 2016, in order to give shareholders the option of approving an opt out of the legal granting of such double-voting rights.

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