Achmea Voting Policy

March 2021

Achmea considers good corporate governance standards to be essential for any portfolio investment. This is based on the belief that good corporate governance improves the company's long-term performance through promoting strong leadership and effective supervision of the company. Therefore Achmea takes exercising shareholder rights very seriously and attaches great importance to shareholder stewardship and engagement. Besides the focus on corporate governance standards and protecting shareholder rights, Achmea monitors how companies handle social, ethical and environmental issues. By promoting stewardship and demonstrating active ownership as a shareholder Achmea contributes to achieving long-term success of the companies we invest in.

The Achmea Voting Policy is based on best practices and standards for corporate governance based on internationally accepted corporate governance principles. Key to this are the Organisation for Economic Co-operation and Development's (OECD) governance principles and the Global Corporate Governance Principles as set out by the International Corporate Governance Network (ICGN). In addition, for each individual market the applicable national laws, regulation, local market standards and corporate governance codes are taken into account.

Achmea has an extensive thematic and normative engagement program. There are two important connections between this engagement program and the implementation of this proxy voting policy:
First of all, the engagement program can influence the actual vote that will be warranted. For example by gaining relevant insights in the level of involvement of the board and management in relation to relevant ESG themes. This is relevant input for related ESG resolutions or agenda items on corporate governance.
Secondly, Achmea can use instruments such as asking questions at Annual Shareholder Meetings or (co-)filing resolutions to strengthen engagement practices. These instruments are only used when having a clear link with, and contribute to the themes and priorities as identified in the RI policies of Achmea.

When exercising voting rights Achmea makes use of the voting platform and analysis by Institutional Shareholder Services (ISS). Achmea's customised voting policy is applied to reflect the informed voting decision taken on all themes as outlined in this document. Corporate governance trends and controversial agenda items are continuously reviewed and if needed the voting policy will be updated accordingly.

Achmea Voting Policy per category

Listed below are the most important and recurring topics that can be voted on at shareholder meetings, grouped into six categories.

1 Operational items

This category relates to all voting items regarding financial reporting and the auditor's report, appointment of auditors and approval of auditor fees. With proposed amendments to the articles of association, shareholder rights often come into play.

Voting Policy:

Amendments to articles of association
Achmea will vote against all amendments to the articles of association where shareholder rights could be compromised, e.g. thresholds to place shareholder proposals on the agenda, supermajority requirements for the approval of proposals, increasing the threshold for putting significant mergers and acquisitions to a vote, etc.

Auditors
The routine use of the auditors for non-audit services (i.e. tax, advisory) that cost more than the audit fee casts doubt as to whether the auditor's independence is appropriately safeguarded. Achmea will therefore vote against the remuneration of the auditors if for more than two consecutive years the non-audit fees excessively exceed the audit fees without a proper explanation.

Distribution of Dividends
Achmea will vote against the distribution of any dividends if the pay-out is excessive given the company's financial position, or if the dividend pay-out ratio has been consistently below 30 percent without adequate explanation.

Financial statements
Achmea will vote for the approval of a company's financial statements if it was published in a timely manner and if it is accompanied by an unqualified auditor's opinion.

2 Capital structure

This category relates to all voting items regarding the issuances of additional share capital as well as the reduction of capital.

Voting Policy:

Share issuances
Achmea votes case-by-case on share issuances after performing an analysis of the effects of dilution, e.g. issuance of authorities without pre-emptive rights to a maximum of 20 percent will warrant a vote for.

Share buybacks
Achmea will generally vote for company requests to repurchase up to 10% of issued shares. Reasons to vote against can be down to local market regulation, or if the repurchase can be used in the context of anti-takeover defences.

Loyalty dividends
Achmea will vote against any proposed issuance of shares with additional loyalty dividends attached as this can compromise the equality between different shareholders groups and negatively impact the dividend returns for Achmea.

One-share-one-vote
Complying with the one-share-one-vote principle is essential when voting on share classes with special voting rights. Achmea will thus vote against all proposals that could compromise the voting influence of minority shareholders.

3 Company Boards

This category relates to all voting items on the appointment of directors and composition of the board committees. In all jurisdictions boards must be composed of majority independent directors and with a good level of diversity within the board. The board committees (e.g. audit, remuneration, selection & nomination) are instrumental for a well-informed board and effective supervision of the company.

An effective board consists of directors with a diverse profile and background. The company should therefore disclose sufficient information on all current board members and board candidates to enable shareholders to perform a diversity assessment.

As a best practice the roles of the Chairman and CEO should not be combined but governance concerns can be mitigated. e.g. a lead independent director has been named, sufficient other independent board members and additional governance is in place that guarantees decision making on board level is well-balanced and done independently.

Voting Policy:

Discharge
Achmea will generally vote for discharge of the (supervisory) board as non-discharge is a severe instrument with possible legal consequences. Where possible Achmea will engage with the company up-front and only vote against if there is reliable information about significant and compelling concerns that the (supervisory) board is not fulfilling its fiduciary duties.

Risk oversight of Environmental & social issues
Achmea will vote against individual directors in case of:
Material failures of governance, stewardship, or risk oversight, including demonstrably poor risk oversight of environmental and social issues, including climate change; or
Outstandingly worrisome actions related to the director's service on other boards that raise substantial doubt about that individual's ability to effectively oversee management and to serve the best interests of shareholders at any company.

Independent committees
Achmea will vote against the election of a non-independent non-executive board member where the board committees or the board itself is not majority independent.

Tenure
Achmea will vote against the re-election of (supervisory) board members that have served for longer than the legal terms of appointment, taking into account local practices/codes. unless it is absolutely necessary to establish a well-functioning board that otherwise would not be properly balanced. At the time of appointment it should be made clear that it is a temporary interim appointment until a successor is found.

Over boarding
A vote against directors serving on an excessive number of other boards is warranted, as this could compromise their primary duties and their availability to supervise the company. The over boarding requirements and best practices are often determined by local law or governance codes and therefore disclosure on the number of board mandates should be made available. Additionally, markets must permit the individual election of directors instead of bundled elections.

Attendance rates
Annual reports should disclose the attendance rates of individual board members. A compelling rationale must be provided if a board member attended less than 75% of board and committee meetings. Especially if a board member holds a large number of outside board mandates the attendance rates gives a clear indication of availability for board duties.

Combined Chair and CEO
Achmea will vote case-by-case on the separation of Chairman and CEO roles. Combining the top two roles at a company is not a best practice as the company could be unable to ensure a balance of power and authority on the board and avoid a concentration of power in one individual.

Board responsiveness to shareholders
A vote against the appropriate individual directors or committee members is warranted if the board failed to act on a shareholder proposal that received the support of a majority of the shares cast in the previous year (see also category 6 on shareholder proposals).

Diversity
Achmea will vote against the re-appointment of the chairman of the nominating committee (or other directors on a case-by-case basis) if the board lacks a female director, taking into account local practices/codes.

4 Compensation

This category describes the minimum standards for any vote on the remuneration of directors or any other named company employee. In most jurisdictions shareholders have either an advisory or binding vote on the remuneration report and (execution of the) remuneration policy.

When voting on agenda items related to compensation the key elements are good disclosure standards of the performance criteria and the achievement of the targets. The compensation should demonstrate an appropriate pay-for-performance alignment, with an emphasis on generating long-term shareholder value.

Pay-for-failure always warrants a vote against. Whenever a company was surrounded by severe and proven controversies it should restrict its bonus payments over that year to show its appreciation of the situation. If not, Achmea will vote against the proposal.

Companies should therefore maintain an independent and effective remuneration committee to avoid arrangements that risk pay-for-failure.

Voting Policy:

Minimum requirements
Achmea has outlined a number of minimum requirements for good pay-for-performance remuneration. Without the consideration of local standards, Achmea will vote against remuneration reports and/or remuneration policies that have:
- incentive plans without any performance criteria attached or disclosed;
- long-term incentive plans with performance cycles shorter than 3 years in place;
- uncapped bonus potential;
- pay with a high level of discretion for the remuneration committee or board;
- one-off discretionary payments to directors without a clear rationale being provided and/or performance criteria attached, e.g. on appointment grants or retention grants;
- proposals that seek to ratify golden parachutes, especially when there are no clawback and vesting criteria attached.
- Increase of basic salary above inflation rates without a compelling rationale provided.

Severance
Change in control multiples or severance pay of more than one time the base salary or that are in excess of acceptable local market practices.

Variable to fixed income ratio
If an issuer is subject to the European Capital Requirements Directive IV (CRD IV) the shareholders have a binding vote to approve the maximum variable to fixed remuneration ratio. Achmea opts to vote for a maximum limit of 100% of the fixed remuneration and against proposals for a variable pay above 100%.

Shareholdings by executive directors
To align executive pay and company performance with the interest of executives and shareholders, executive directors are encouraged to accumulate shareholdings amounting to a predetermined multiple of the fixed salary. However, company loans for the acquisition of shares by directors is not approved.

Shareholdings by non-executive directors
Although common practice in some jurisdictions, Achmea will vote against remuneration proposals that warrant shares or stock options to non-executive directors as it can compromise their independence and influence (long-term) decision making.

5 Other items

This category looks at all other agenda items that can be voted on, e.g. all matters related to mergers and acquisitions, anti-takeover mechanisms, reorganisations and related party transactions.

Voting Policy:

Acquisitions and mergers
Achmea will vote case-by-case on acquisitions and mergers. Whenever there are doubts about the financial and strategic rationale of the proposal the in-house equities sector analyst will be consulted. The financial and strategic rationale prevail but equally the safeguarding of minority shareholder's rights, potential conflicts of interest and the corporate governance profile after the transaction weigh in.

Anti-takeover mechanisms
Achmea will generally vote against anti-takeover mechanisms, especially when shareholder rights and the possibility for a takeover or merger could be compromised.

Related Party Transactions
The approval of commercial transactions between related parties is key in the protection of shareholders against potential conflicts of interest, safeguarding best execution practices, or insider trading abuses. Achmea will vote case-by-case on the merits of the transaction.

6 Shareholder proposals

In many jurisdictions shareholders are given the opportunity to place an item on the agenda of the shareholder meeting. Since 2010 there has been a substantial increase in shareholders using this instrument to raise awareness for a specific theme or a company specific issue.

ESG-related proposals
Within its responsibility investment policy Achmea focuses on the following five themes: human rights, labour rights, health, climate change and the environment. Special attention is given to each individual shareholder proposal related to any of these themes that are often related to Environmental, Social, and Governance (ESG) factors.

Voting policy:

Achmea will generally vote for social, workforce, and environmental shareholder proposals that promote good corporate citizens while enhancing long-term shareholder and stakeholder value.

Minimum requirements

Achmea will vote against any shareholder proposal that is considered too prescriptive, overly burdensome (e.g. too tight deadlines), or unworkable given the nature of the company's day-to-day running of the business.

Sustainability as performance metric

Achmea will vote for proposals to include sustainability as a performance measure for senior executive compensation. Especially applicable for companies that have an increased exposure to sustainability-related controversies such as the extractive industries. Like all remuneration proposals, the sustainability (performance) criteria must be rigid and the metrics and targets must be disclosed properly.

Political donations

To improve disclosure standards on corporate spending and transparency in general, Achmea will vote for all shareholder proposals seeking corporate disclosure of political contributions.