

2024

These proxy voting guidelines lay out our broad stance on proxy voting and governance issues for companies in the Europe, Middle East and Africa (EMEA) region, taking into account local market regulation and/or codes of best practice (where they exist). These guidelines are designed to be read in conjunction with our Global Proxy Voting Policy. In the event of a material contradiction, the Global Policy will generally take precedence.

Links to our Global Voting Policy can be found [here](#).

EMEA Proxy Voting Guidelines

The European corporate governance model is a 'comply or explain' model, enshrined through various regulatory bodies. Self-regulation has played and continues to have a key role in the shaping of the corporate governance landscape in the EMEA market.

Board structure and governance

Director elections

As long-term active investors, Capital Group is generally supportive of management and board's strategic decision-making. We would generally support director (re)elections unless:

- Adequate disclosure has not been provided in a timely manner;
- Concerns over attendance (less than 75% of board and sub-committee meetings over two consecutive years);
- The board fails to meet expected corporate governance standards in their local market (whether code- or regulation-based, or reflecting reasonable shareholder expectations) around board and committee composition (notably those concerning independence and diversity) or term length;
- Material failures of governance, stewardship, or risk oversight (including, but not limited to social and climate change issues);
- There are specific concerns about the individual, such as an ability to commit sufficient time to the role;
- Egregious 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.

We believe that the board as a whole should have essential skills and experiences in view of long-term sustainability of the business. Further, it is crucial to include independent directors with management experience in other listed companies as they are expected to play a vital role in ensuring that companies anticipate changes in the business environment and reflect them in their business strategies.

Capital Group would generally vote **AGAINST** directors whose details have not been disclosed, who have not met the above attendance threshold without adequate explanation, and/or who have served on boards or as executives of companies with records of poor performance, governance, and/or other indicators of mismanagement or actions against the interests of shareholders. Additionally, we would also consider voting **AGAINST** the Chair of Nomination

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Committee (or the Board Chair) if the board is deemed not adequately diversified in terms of skills and experiences. Other aspects of the issues referred to above are dealt with in the following sections.

Independence

To determine whether expected corporate governance standards around board and committee independence have been met, we will assess the independence of directors in line with company disclosures and potential conflicts of interest tests set out below. We would take a pragmatic approach to independence assessment and will take account of company's explanation in case our assessment differs from that of board's. In line with best market practice, in the UK, the independence of the non-executive directors is assessed on an ongoing basis, while the independence of the chair will be assessed on appointment.

A non-executive director is likely to be considered as non-independent if one (or more) of the issues listed below apply. To be clear, this is not an exhaustive list and each individual assessment will be applied recognising the circumstances of the company and explanations provided.

- Tenure length greater than 12 years;
- Has a substantial personal shareholding of more than one percent or represents a significant shareholder;
- Has been an employee of the company or group during the last five years;
- Has, or is connected to a person who has had, within the last three years, a material business relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- Has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or performance-related pay schemes;
- Has close family ties with any of the company's advisers, directors or senior employees;
- Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; or
- Is attested by the board to be a non-independent non-executive director.

We will generally vote **AGAINST** any non-independent non-executive director whose presence on the board, or the key sub-committees (audit, remuneration and nomination) renders these to be insufficiently independent as per the local market standards, unless this has been sufficiently explained.

In markets with employee representation on a Supervisory (main) Board, such representatives will be excluded when calculating independence ratios. In case of a vote on employee directors, in most cases we would generally support employee representatives that have been recommended by the company. In case of concerns, we would evaluate the merits of nomination and election of an employee representative on the merits of their candidacy.

Director term length

We believe that directors should be accountable to shareholders on a regular basis. Therefore, we would generally vote **AGAINST** the election or re-election of any director when his/her term is not disclosed or when it exceeds four years. In markets where practice is for longer tenure lengths, we will pro-actively seek to engage with portfolio companies to align director election terms towards four years.

Board gender diversity

We consider that both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. We generally expect boards to adhere to local market standards on gender diversity and/or be looking to achieve a minimum 30% representation of the under-represented gender (if local market standards are lower or do not exist). We will generally vote **AGAINST** the Chair of the Nomination Committee (or other directors on a case-by-case basis) in cases where board composition does not meet these standards and this is not adequately explained.

We expect disclosure and discussions within the annual report on how progress is being made on the board and wider company level on enhancing gender diversity in general. We will actively seek to engage with companies on their targets set and plans to achieve these targets if not disclosed publicly.

Other diversity standards

We will hold the Chair of the Nomination Committee (and/or Board Chair) responsible for lack of sufficient progress in meeting any other market-level diversity standards, notably those outlined below. We also expect disclosure and discussions within the annual report on how progress is being made on the board and wider company level on enhancing diversity of thought and socio-economic backgrounds.

- **UK:** Constituents of FTSE 100 having at least one member of board from ethnically diverse background.

We note the Parker Review Recommendations that FTSE 100 companies should have at least one person of colour on the board. We also expect FTSE 250 Index constituents to start planning to have a person of colour on board at the latest by 2024.

- **France:** Compliance with market standards on gender representation within senior executive groups and management bodies of large companies.

We expect that, between now and 2026, female representation in these groups will increase as needed to meet the 30% target set by the Rixain Law. Considering the original 2020 report of the French Senate's High Council for Gender Equality, our current expectation is that executive committees with eight members or fewer should have at least one female member. For committees with more than eight members, our expectation is that female members should make up at least 20% of the executive committee currently. Companies should detail a roadmap towards achieving the legal requirements within their public disclosures.

Time commitments

In order to carry out their responsibilities effectively, directors must be able to commit an appropriate amount of time to board matters. We expect companies to provide a clear explanation if any director takes on an excessive number of roles that risk impairing his/her ability to fulfil director duties, with particular attention paid to any person who holds more than four mandates at listed companies. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive Board Chair counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.

We will generally vote **AGAINST** the election of any director who has an excessive number of roles without valid justification. When evaluating board nominees, we will consider company- and individual-specific situations and circumstances. These include but are not limited to company size and complexity, board and executive turnover, expertise, whether other roles are in affiliated companies, and whether the individual has a significant shareholding in the relevant companies or represents a major shareholder. In addition, we will endeavour to engage in advance of the first instance in which we may consider an adverse vote, wherever possible.

An adverse vote **will not** be applied to a director within a company where the director serves as CEO; instead, any adverse vote will be applied to the individual's additional seats on other company boards. For non-executive Board Chairs, any adverse vote would first be applied towards non-executive director positions held. The Board Chair position itself would be targeted where the individual is being elected as chair for the first time or when, in aggregate, their Board Chair positions are three or more in number, or if the Board Chair holds an outside executive position.

Board Chair role

We consider that the role of the Board Chair as critical in maintaining an effective board. We will consider the re-election of the Board Chair on a case-by-case basis, taking into account the management of such factors as succession planning, diversity and overall level of board independence. If there is evidence of long-running, systemic issues around board and committee composition which the company seems unable or unwilling to address, the Board Chair may receive an adverse vote on reappointment, given the individual retains overall responsibility for the board's corporate governance arrangements.

Capital Group will generally vote **AGAINST** a director who combines the CEO and chair roles unless the company can provide a strong justification as to why this is considered appropriate. We will consider and accept company explanations for adopting this arrangement in exceptional circumstances.

Capital Group will also generally vote **AGAINST** the election of a former CEO as chair unless a strong justification is provided. The succession of the CEO to chair is a significant issue, acceptable only on rare occasions.

Contested director elections

We assess contested director elections on a case-by-case basis, considering the following factors in particular:

- Company performance relative to its peers;
- Strategy of the incumbents versus the dissidents;
- Independence of directors/nominees;
- Experience and skills of board candidates;
- Governance profile of the company;
- Evidence of management entrenchment;
- Responsiveness to shareholders; and
- Whether minority or majority representation is being sought.

When analysing a contested election of directors, which may include the election of shareholder nominees or the dismissal of incumbent directors, we will generally focus on two central questions: whether the dissidents have proved that board change is warranted, and if yes, whether the dissident board nominees seem likely to bring about positive change and maximize long-term shareholder value.

UK – Controlling shareholders

Following changes to the UK Listing Rules in 2014 which apply to companies with a controlling shareholder, the election or re-election of an independent director must be approved by a normal ordinary resolution and separately approved by the minority shareholders. In general, both new applicants and existing listed companies must also have a written and legally binding relationship agreement with any controlling shareholder(s); if such an agreement is not in place, the Listing Rules provide that certain enhanced oversight measures would apply. Details of the relationship with the controlling shareholder should be disclosed to investors. We will not support representatives of a controlling shareholder where no relationship agreement is in place.

Nomination Committee appointments

As required in certain markets, we will generally support resolutions for the approval of the procedure to appoint a Nomination Committee usually comprising shareholders or other non-board members. We will however assess the framework for selecting members to the Committee. Our minimum expectations are that:

- No executive committee member to sit on the Nomination Committee;
- Board Chair should not chair the Committee; and
- There should be no more than one shareholder represented on the Committee.

Ideally, the names of the proposed candidates for the committee will be available in advance of the AGM, we remain cognizant that this is generally not a common practice. We will look at the company's previous appointments to the committee when assessing this proposal. Furthermore, we will continue to engage with our portfolio holdings to provide us with clear information in advance of the AGM.

Compensation

Remuneration committees should have the flexibility to choose a pay structure which is appropriate for the company's strategy and business needs. We will assess on a case-by-case basis any compensation structures that companies wish to consider.

Pay levels should be appropriate to a company's circumstances, and overall outcomes should be clearly linked to company performance. Remuneration committees should give due consideration to and explain any proposed material increases. They should use any benchmarking to peers for pay reviews prudently and should not make one-off awards to address benchmarking concerns. Bringing remuneration arrangements into line with local market practice should also not be used as the sole justification for an increase in the size of the overall package.

Remuneration arrangements should be clearly disclosed, and sufficient detail provided about the performance conditions adopted.

We expect that a company will then work within its remuneration policy and only seek approval to go outside the policy in genuinely exceptional circumstances. Boards must avoid rewarding failure or poor performance; for this reason, we do not support the re-testing of performance conditions or the re-pricing of share options.

Where companies seek to implement an award based wholly on an increase in the share price (Value Creation Plan), we expect the rationale to be clear and to see stretching targets given the potential for outsized returns based on a single performance metric. In addition, we expect such plans to be maintained through the life of performance period and will likely not support proposals to change from the scheme mid-flight if it is deemed unlikely that awards will vest.

Remuneration policy

The vote on the remuneration policy is forward-looking and sets the frameworks and parameters around executive and board pay. We consider that the remuneration policy offers us an opportunity to have a say on the framework which we would expect the board and company to comply with, barring exceptional circumstances. The resolution to approve the remuneration policy on a case-by-case approach, paying particular attention as to whether:

- The overall remuneration policy or specific scheme structures are not over-complex, have an appropriate long-term focus and have been sufficiently justified in light of the company's specific circumstances and strategic objectives;
- The company's approach to fixed remuneration is appropriate, with a particular focus on the extent to which pension contributions are aligned with those available to the wider workforce;
- The award levels for the different components of variable pay are capped, the quantum is reasonable when compared to peers, and any increase in the level of certainty of reward is accompanied by a material reduction in the size of awards;
- Increases to the maximum award levels for the LTIP and bonus have been adequately explained;
- Performance conditions for all elements of variable pay are clearly aligned with the company's strategic objectives, with vesting levels and holding periods that are in line with local market practice;
- Change of control, good leaver and malus/clawback provisions are in line with local market practice;
- The shareholding requirement for executive directors is at minimum of 200 percent of base salary, with this maintained for two years post-employment;
- Service contracts contain notice periods of no more than necessary and not higher than local market practice;
- Potential termination payments are linked to fixed pay with no contractual entitlements to unearned bonus on termination;
- Non-executive directors do not receive any performance-related remuneration beyond their standard fees;
- The treatment of new joiners is appropriate, with particular attention paid to the use of buy-out awards, and the potential for any additional awards is capped; and
- The remuneration committee seeks to reserve a degree of discretion.

Remuneration report

The remuneration report serves as a way for shareholders to make their views known on the company's pay practices during the year under review, and the extent to which these were compliant with the remuneration policy as approved by shareholders. We consider the remuneration report to be a way for us to take cognizance of the compensation decisions taken by the Remuneration Committee during the year. The vote on the resolution to approve the remuneration report is reviewed using a case-by-case approach, paying particular attention as to whether:

- Any increases, either to fixed or variable remuneration, for the year under review or the upcoming year were well-explained and not excessive;
- The bonus received and/or the proportion of the LTIP which vested was a fair reflection of the performance achieved;
- Performance targets are measured over an appropriate period and are sufficiently stretching;
- Targets for the bonus or the LTIP are disclosed in an appropriate level of detail;
- Any exit payments to good leavers were reasonable, with appropriate pro-rating applied to outstanding long-term share awards;
- Any special arrangements for new joiners were in line with good market practice;
- The remuneration committee exercised discretion appropriately.

NED fees

We will generally support any increase in fees (within reason) for the independent non-executive directors. This policy stance reflects the increased accountability expected from individuals and our increased focus on directors' external time commitments. We would encourage boards to think of ways to increase alignment of interests between shareholder and non-executive directors by paying part of the fees in company shares. Non-executive directors are encouraged to build up a shareholding in the company up to 2.0 times the level of their annual fees over a period of five years from their appointment.

Scheme rules

We will apply a case-by-case approach on the item to approve a new or amend an LTIP, paying particular attention as to whether:

- The LTIP is aligned with the company's strategy, is not over-complex and fosters an appropriately long-term mindset;
- The proposed award levels are appropriate, and, in the case of an amended plan, any increases to previous award levels are well-explained;
- Any increase in the level of certainty of reward is matched by a material reduction in the size of awards;
- The maximum payout is capped;
- The LTIP is in line with the current remuneration policy;
- Change of control, good leaver and malus/clawback provisions are present and the terms are in line with standard market practice;
- The remuneration committee seeks to reserve an appropriate degree of discretion;
- The scheme is operating within dilution limits that are aligned to the relevant to local market standards.

Auditors

Appointment of external auditors

We will generally vote **FOR** proposals to ratify the appointment of the external auditors, unless:

- There are serious concerns about the effectiveness of the auditors;
- The auditors are being changed without explanation;
- The lead audit partner(s) has been linked with a significant auditing controversy; or
- Audit tenure exceeds recommended guidelines (10 years without tender, 20 years with tender).

Authorise board to fix remuneration of auditors

We will generally vote **FOR** proposals authorising the board to fix the fees payable to the external auditors, unless fees for non-audit services routinely exceed standard audit-related fees by a significant margin without sufficient explanation, e.g., more than 100% of audit fees for consecutive years.

Capital structure

UK general share issuance

We will generally support a resolution to authorise the issuance of equity, unless:

- The general issuance authority exceeds one-third (33 percent) of the issued share capital; assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent); or
- The routine authority to disapply pre-emption rights exceeds 10 percent of the issued share capital, provided that any amount above five percent is to be used for the purposes of an acquisition or a specified capital investment.

On dis-application of pre-emption rights, a company which receives approval for an authority of this nature but is then

subsequently viewed as abusing the authority will receive a vote **AGAINST** on the general share issuance authorities at the following AGM.

The authority to issue shares and the authority to disapply pre-emption rights should not be bundled together or with any other voting issue. It is considered good market practice, in terms of duration, for the authorities to require renewal at the following year's AGM.

Ex-UK general share issuance

We will generally support a resolution to authorise the issuance of equity, unless:

- The general issuance authority with pre-emptive rights exceeds 50% of the issued share capital; or
- The general issuance authority without pre-emptive rights exceeds 10% of the issued share capital.

Share buy-backs

Generally, we vote **FOR** the resolution to authorise the market purchase of ordinary shares, unless we do not believe that the proposal will benefit shareholders.

Multiple class stock & voting rights

We favour a share structure that gives all shares equal voting rights. We do not support the issue of shares with impaired or enhanced voting rights. We will generally not support proposals authorising the creation of new classes of common stock with unequal voting rights.

We recognise however that a growing proportion of newly listed companies have multiple classes of common stock with differential voting rights. We believe companies should review their multiple class structures on a regular basis and give minority shareholders the opportunity to affirm these structures.

For newly listed companies, we expect to see an inclusion of time-based provision at which point the voting rights are in equal proportion to the economic interest of all investors. We consider seven years post-IPO to be a reasonable number which provides the founders of newly listed companies enough stability. Furthermore, we expect that should a founder's interest in business fall below 10% of the issued share capital, the company should then revert to single class of shares.

Operational items

Accept financial statements and statutory reports

We will generally vote in favour unless:

- There are concerns about the accounts presented or audit procedures used; or
- There has been an accounting fraud or material misstatement during the year.

The overall quality of disclosure will be considered, and the weakest examples, such as where the meeting documents are not released in time to review ahead of the meeting, are likely to attract an adverse vote.

Amendments to the Articles of Association

We will generally vote in favour as long as there is no negative impact on shareholder rights. Changes to the company's articles should not be 'bundled' into a single resolution when they cover non-routine matters. When a company seeks to increase its borrowing powers, a limit should be stated in the revised articles.

Amendments to Articles to allow virtual meetings

Virtual-only shareholder meeting refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting. We will generally support boards seeking to hold virtual-only shareholder meetings, so long as the company has put in place adequate safeguards and will provide shareholders the same participation rights during the virtual meeting as were available at in-person meetings.

Approve final dividend

We will generally vote for proposals to approve the final dividend, unless the payout is considered excessive given the company's financial position.

Mergers and acquisitions

We will vote mergers and acquisitions on a case-by-case basis, primarily based on IG input.

Related-party transactions

In evaluating resolutions that seek shareholder approval on related-party transactions (RPT), we will vote on a case-by-case basis, considering factors including, but not limited to, the following:

- The parties on either side of the transaction;
- The nature of the asset to be transferred/service to be provided;
- The pricing of the transaction (and any associated professional valuation);
- The views of independent directors, where provided;
- The views of an independent financial adviser, where appointed;
- Whether any entities party to the transaction, including advisers, are conflicted; and
- The stated rationale for the transaction, including discussions of timing.

In the UK, under the Listing Rules the listed company must obtain the approval of its shareholders for certain transactions either beforehand or, if the transaction is conditional on that approval, before it is completed. The company must ensure that the related party does not vote on the relevant resolution and should take all reasonable steps to ensure that the related party's associates do not vote on the relevant resolution.

UK mandatory takeover bid waivers

Generally, we will vote **FOR** Rule 9 waivers with sufficient explanation/context from the company as to why it is considered to be appropriate.

Reincorporation proposals

We will vote reincorporation proposals on a case-by-case basis, accounting for context and relevant governance/regulatory standards in the country of reincorporation.

Shorter notice period

Generally, we will vote **FOR** the resolution to authorise the company to call a general meeting with 14 days' notice if sufficient assurance provided that the authority will only be used when merited.

EU political donations and expenditure

Generally, we will vote **FOR** the resolution to authorise EU political donations and expenditure, unless:

- The company made explicit donations to political parties or election candidates during the year under review;
- The duration of the authority sought exceeds one year and the company has not clarified that separate authorisation will be sought at the following AGM should the authority be used; or
- No cap is set on the level of donations.