



ECGS

Expert Corporate
Governance Service

ECGS CORPORATE GOVERNANCE GUIDELINES

2014

A Partnership for Local Market Expertise

www.ecgs.com

PARTNERS

Australia

Sustainable Investment Research Institute (SIRIS)

Level 9, 99 William Street
Melbourne Victoria 3000
Australia
Tel: +61 3 8621 2000
Fax: +61 3 8621 2001
Email: research@siris.com.au
www.siris.com.au

France

Proxinvest

6, rue d'Uzès
75002 Paris
France
Tel: +33 1 45 51 50 43
Fax: +33 1 47 53 97 30
Email: ecgs@proxinvest.fr
www.proxinvest.fr

Italy

Frontis Governance

Via Gela, 73
00182 Roma
Italy
Tel: +390664850804
Email: s.carbonara@frontisgovernance.com
www.frontisgovernance.com

Switzerland

Ethos

Place Cornavin 2
Case Postale
CH-1211 Geneve 1
Tel +41 22 716 15 55
Fax +41 22 716 15 56
Email: info@ethosfund.ch
www.ethosfund.ch

Canada

Groupe Investissement Responsable (GIR)

255 St-Jacques, 3rd floor
Montreal
Quebec
Tel: +1 514 448-5400
Fax: +1 514 448-5558
Email: info@gir-canada.com
www.gir-canada.com

Germany

Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW)

Peter-Müller-Straße 14
40468 Düsseldorf
Germany
Tel: +49 211 66 97 15
Fax: +49 211 66 97 70
Email: christiane.hoelz@dsw-info.de
www.dsw-info.de

Netherlands

Shareholder Support

Molenberglaan 87
6416 EL Heerlen
The Netherlands
Tel +31 6 28 19 10 92
Email: info@shareholdersupport.nl
www.shareholdersupport.nl

This document is the sixth edition of the ECGS Corporate Governance guidelines. The guidelines represent a consensus between ECGS research organisations: DSW, Ethos, Frontis Governance, Groupe Investissement Responsable, Proxinvest, Shareholder Support and SIRIS. ECGS Principles are based on the local market experience of the ECGS researchers themselves as well as on national and international codes of best practice. These principles underpin the analysis and voting recommendations made to clients of the Expert Corporate Governance Service and set best practice standards for the largest companies.

Contents

1.	Annual Report/Accounts vote	5
1.1	Disclosure of shareholders' meeting notice and reports and accounts.....	5
1.2	Compliance with the local market governance code	5
1.3	General transparency & reporting	5
1.4	Share structure and voting rights.....	6
2.	Allocation of income/Dividend vote.....	6
3.	Discharge of Boards.....	7
4.	The Board structure & the election of directors	7
4.1	Disclosure	8
4.2	Term of office exceeds local norms.....	8
4.3	Board size	8
4.4	The role of board committees.....	8
4.5	Number of positions.....	9
4.6	Boardroom diversity.....	9
4.7	Re-election.....	9
5.	Election of the chairman	10
6.	Election of executive directors (not applicable to two-tier board structure)	11
7.	Election of non-executive directors	12
7.1	Factors taken into account by ECGS members which may compromise independence: Erreur ! Signet non défini.	
7.2	Specialised board committees	13
8.	Remuneration reports.....	13
8.1	Disclosure	14
8.2	Overall policy.....	14
8.3	The role of the remuneration committee	14
8.4	Contractual terms.....	16
8.5	Pensions and other post retirement payments	16
9.	Executive incentive schemes.....	16
10.	Employee incentive schemes	17
11.	Director fees	17
12.	Auditor election.....	18

12.1	Audit committees	18
12.2	Auditor independence.....	18
12.3	Non-audit work.....	18
13.	Share issues and purchases.....	19
13.1	Share issue authorities with and without pre-emption rights	19
13.2	Share repurchases	19
14.	Changes in the Articles of Association	20
15.	Mergers and Acquisitions.....	20
16.	Anti-takeover defences	21
17.	Corporate Social Responsibility	21
18.	Miscellaneous.....	21
18.1	Political donations	22
18.2	Shareholder resolutions and counter motions	22
18.3	Extraordinary General Meetings	22

The ECGS approach

The application of the ECGS principles is tailored to fit with the local market and particular circumstances. As minimum ECGS considers that companies should strive to comply with local market corporate governance codes. In addition, companies should when possible go beyond local market codes and work towards national and international best practice in both corporate governance and corporate responsibility. While ECGS principles are written in terms of international best practice, voting advice will be proposed in the light of specific circumstances as they relate to a specific company and various contexts during the year reviewed.

ECGS seeks to ensure consistency and fairness in determining voting advice. However, guidelines cannot be issued for all eventualities, and in particular situations, the relevant member providing the advice will exercise its own judgement. ECGS reserves the right to amend voting recommendations in the light of developments and particular situations.

In general, voting recommendations are as follows:

FOR: The proposal reflects acceptable practice and is not contrary to shareholders' interests;

OPPOSE or WITHHOLD: The proposal is not acceptable in our opinion and is not in shareholders' interests over the long term;

ABSTAIN (only applicable in certain markets): The proposal raises issues of concern but not regarded as sufficiently material to warrant opposition.

- Responsible Investing

The shareholders' voting is a unique tool to mitigate investment risk. ECGS has developed since 2001 a thorough common review of the European best governance practices. It commented to several important consultations of the European Commission on governance, banking and remunerations. Having contributed to the July 2010 UK Stewardship Code for institutional shareholders, ECGS reiterated its full support to the 2013 version of the Code emphasizing on the importance of an active engagement between investors and companies' management ([see ECGS response to the UK Stewardship Code](#)). ECGS promotes its principles and welcomes the development of a European Stewardship Code.

In October 2013, Proxinvest, the French partner of ECGS participated to the writing of the **Code of Conduct and Best Practices Principles for Proxy Advisors**. ECGS encouraged all members of the industry as well as asset managers and asset owners to contribute to the consultation, and will likely ratify the final code.

Shareholders and asset managers are accountable for how they monitor investment risk and fulfil their ownership responsibilities. Trading activities driven by short-term considerations can undermine a long-term approach and responsible voting. ECGS considers that institutional investors calling for openness and accountability from companies, should, in turn, be accountable regarding their corporate governance and the independent voting of their portfolio's shares. ECGS encourages its clients to vote in all countries and advocates for appropriate cross border voting procedures. ECGS supports the publication by institutional investors of their corporate governance and voting policies as well as of their full voting records.

- The equitable treatment of shareholders

European countries display important differences over share ownership structures depending on the degree of dispersed ownership of public companies and the presence of very large shareholders. Whereas the major issue in companies with a dominant shareholder is minority shareholder protection, in the case of companies with widely dispersed ownership, enforcing all shareholder rights and managerial accountability are predominant. ECGS supports the overriding principle of equitable treatment of all shareholders. ECGS' reports will highlight the presence of dominant shareholders in companies and associated corporate governance issues.

All shareholders that hold voting shares, no matter the size of their holding, should be allowed to attend the shareholders' meeting, have the right to ask questions, to table questions and resolutions and to vote in person at the meeting. ECGS reports will highlight any limitation on this point.

- Publication of voting results

Investee companies (or designated regulatory bodies) should publish details of votes cast or proxies received. The published figures should include the number of shares and/or voting rights that were voted on each resolution and the level of support, abstention (where applicable) and opposition.

1. Annual Report/Accounts vote

1.1 Disclosure of shareholders' meeting notice and reports and accounts

In order for shareholders to hold directors formally accountable for their management of the company, they need to have adequate notice of the meeting and the matters to be discussed. The notice of meeting should be sent to shareholders at least 21 days in advance for annual general meetings and for extraordinary meetings at the earliest.

The company should make available (in electronic form and on request) all relevant documentation shareholders require to make an informed judgement on the resolutions to be decided. The company should preferably issue documents not only in its local language but also in English in order to maximise the understanding of the issues by international shareholders.

1.2 Compliance with the local market governance code

The company should provide shareholders with a complete compliance statement in relation to all codes applicable to the company's operations.

1.3 General transparency & reporting

As well as reporting financial performance, companies should provide additional information on a range of issues in respect of all stakeholders such as:

- Corporate strategy
- Key Performance Indicators (financial and operational)
- Corporate governance system
- Share-ownership structure
- Remuneration arrangements
- Auditor related policies

- Employment policies, policies on environmental issues, sustainability, community relations and business ethics
- Contentious issues that have arisen in the year under review
- Conflicts of interests, related party transactions and self-dealing
- Internal controls

1.4 Share structure and voting rights

A company's share structure should be clearly disclosed including the voting rights and other rights attached to each class of shares. Information on the major owners of shares and voting rights should also be provided. Information on any cross-shareholdings or voting agreements should be reported.

ECGS strongly supports the principle of '*one share one vote*' for ordinary share capital. We consider that shareholder rights and voting power should be proportional to ownership. Any deviations from the principle of '*one share one vote*' will be identified in ECGS reports.

The existence of core shareholders with rights to Board representation or other more favourable rights creates conflicts of interest and safeguards need to be in place for minority and non-controlling shareholders. ECGS will review the number of shareholders' representatives on the Board. Besides, important shareholders should not be over-represented on the Board.

2. Allocation of income/Dividend vote

ECGS members will assess dividends on a case by case basis. ECGS considers that shareholders should have an annual opportunity to vote on the directors' dividend policy. In principle, ECGS believes that dividends should be covered by consolidated or cash earnings and supported by a strong balance sheet in terms of solvency and leverage. Where they are not, emphasis will be placed on the Board's justification for the proposed dividend and an explanation of the on-going policy.

3. Discharge of Boards

A regular item on meeting agendas in a number of countries is a proposal to grant a discharge to the Board for its stewardship of the company. This type of proposal has different meanings in different countries and will therefore be treated in line with the research partner's guidelines based on their knowledge of the local market and the impact of supporting such a resolution.

ECGS will reflect on the discharge serious concerns over the conduct of a director or serious concerns on relationships with stakeholders: employees, the community, health & safety related issues and environmental related issues. As the discharge has different legal meanings and consequences in different markets, the level of concern is defined with regard to each local market's legal framework. More generally, ECGS does not encourage the use of the discharge when it is not legally required or when it prevents shareholders to pursue future legal action.

4. The Board structure & the election of directors

The most obvious difference in corporate structure across Europe is between companies with a two-tier board, where the executive and supervisory functions are split, and the unitary board including directors with and without executive functions. Further differences arise in the balance of power, in decision making and accountability. Additionally, in a number of European countries, employees have legal rights to board representation without these members necessarily being subject to election.

4.1 Disclosure

Disclosure about the directors and the board is critical in enabling shareholders to form a proper judgement when electing and re-electing directors. ECGS considers at least the following information should be disclosed:

- Directors' attendance record at board and committee meetings;
- Level of independence
- Procedures in place for board and director appraisal and succession planning;
- Biographies for all directors including dates of appointment, ages, career history prior to and at the company, current and recent significant positions in public, commercial and political domain; interests in the capital of the company or group, both actual and contingent;
- The terms of each director's contractual terms or letters of appointment;
- An explanation by the company regarding why they propose to appoint a new candidate.

4.2 Term of office exceeds local norms

As market practice and legal requirements differ widely across Europe we recommend a maximum acceptable term of office of 4 years and that nominations be staggered.

4.3 Board size

The board should not be so large as to be unwieldy. The board should be of sufficient size so that the balance of skills and experience is appropriate for the requirements of the business and that changes to the board's composition can be managed without undue disruption.

4.4 The role of board committees

ECGS considers all companies should establish standing audit, remuneration and nomination committees or equivalents. The terms of reference for each committee should be made publicly available to shareholders.

Committee membership, frequency of meetings and individual attendance records (including other invited parties), should be disclosed in annual reports.

4.5 Number of positions

According to ECGS, shareholders should be assured that directors have sufficient time to devote to the company in case of exceptional circumstances and to attend meetings on short notice. To do this, full disclosure of other positions should be provided in the annual report, together with the record of each director's attendance at board and committee meetings. Some European corporate governance codes set limits on the number of external positions that may be held by directors. ECGS will take into account aggregate time commitments and effective attendance to board and committee meetings while making a voting recommendation.

4.6 Boardroom diversity

ECGS encourages boards to recruit new directors from the widest possible pool of potential candidates. ECGS will review the transparency of nomination and appointment processes. ECGS would support external propositions advocating for more diversity on the Board if the timescale and the percentage requested are appropriate. We could reflect our concerns on the lack of transparency of the nomination process on the election of the nomination committee's Chairman if the number of women on the board is not in line with the market legislation. Generally, ECGS supports a minimum of 20% of women members on boards.

4.7 Re-election

The composition and effectiveness of the Board is a crucial element in determining corporate performance. ECGS believes it is fundamental that all directors are required to seek regular and individual re-election. ECGS will accept a term of up to four years in most countries and will reject slate voting except in countries where it is legally required.

Voting advice of ECGS reports takes into account the overall structure of the Board in terms of its composition, separation of powers, relationship between executive and independent directors and

Board committees. ECGS reports also focus on aspects of directors' appointments which can be clearly assessed: the process by which individuals are appointed, their contractual terms, their independence (in the case of non-executives), and the provision of sufficient information to allow a clear judgement on their calibre, experience and potential conflicts of interest.

- All connections and relationships past and present between directors and controlling shareholders should be clearly identified;
- The existence and terms of any relationship agreements should be disclosed;
- A majority of the Board should not have any connection to the core shareholders;
- The Board chairman should not have any connection to the core shareholders depending on the capital structure of the company;
- All directors, including appointees of core shareholders, should be subject to retirement by rotation.

4.8 Directors dismissal

- **Directors convicted for criminal charges**

ECGS will support the dismissal of directors in any case where they have been convicted for criminal charges. When directors are under enquiries for alleged criminal cases or for a series of misconducts, ECGS will assess on a case by case basis.

5. Election of the chairman

Given the serious questions of concentration of power raised by combining the roles of chairman and chief executive, a decision to combine the roles should be publicly justified. Where the positions are held by the same individual it is very important that there is a strong and independent element on the board, that there are robust procedures to ensure that the board functions effectively, and that relevant issues are discussed. As a matter of principle, ECGS believes that the chairman should not carry executive responsibilities. ECGS also questions the practice where the chief executive becomes the chairman of the board or supervisory board. While this may provide continuity, it risks causing

difficulties in respect of the board's supervisory function and may inhibit an objective assessment of management and strategy and of the initiatives of the successor CEO.

6. Election of executive directors (not applicable to two-tier board structure)

The number of executives should be in line with local market practice. ECGS will also take into account the general level of independence on the Board and termination benefits while voting on executive directors.

7. Election of non-executive directors

Independent directors have a crucial role to play in reviewing the performance of the executive membership. They also bring an external perspective to bear on issues where the executive directors face an actual or potential conflict of interest such as remuneration, proposed changes in control or acquisitions and the audit function. They should also strengthen the Board by expanding its range of experience. Such directors need to be remunerated adequately to reflect their responsibilities but the risk of independence being impaired by reliance on fees or other remuneration needs to be borne in mind. ECGS considers that directors should invest at least substantial part of their fees in company's shares in order to align with shareholders' long term interest.

7.1 Factors taken into account by ECGS members which may compromise independence:

- A former executive position within the company or group (including major acquisitions) or a contract of employment since less than five years except for the CEO who will always be deemed affiliated;
- An association with the business for twelve years (nine years in the UK, Ireland and Italy);
- Relationship through blood, marriage or equivalent to other directors, managers, important shareholders or advisers to the company;
- Appointment are made differently than through an appropriately constituted nomination committee or equivalent independent process;
- A material connection with a professional adviser including auditors to the company since less than five years;
- A side-contract including fees, share options or other conditional remuneration, consultancy payments, pension benefits or benefits from related party transactions above a material threshold;
- Receipt of similar remuneration from a third party in relation to the directorship;
- Cross directorships or significant links with other directors through involvement in other companies or bodies;

- A current or recent senior position with a political or charitable body to which the company makes or from which the company receives material contributions;
- A significant (3%) holding in the company's equity;
- Current or recent involvement at a senior level in another entity with a material financial or commercial interest in the company either through a shareholding or family link, or as customer, supplier, banker, joint venture partner or competitor;
- An appointee or representative of a group other than the shareholders as a whole.
- Current or recent involvement at a senior level in another entity with a material financial or commercial interest in the company either through a shareholding or family link, or as customer, supplier, banker, joint venture partner or competitor;

7.2 Specialised board committees

ECGS might oppose the re-election of specific committee chairmen or members if there are significant concerns about the decisions of the committee.

8. Remuneration reports

In determining the voting advice, ECGS will consider the adequacy of disclosure and the structure of the remuneration system, including but not limited to:

- Whether the overall policy includes target pay levels whereby the company acknowledges local market sensitivities regarding pay levels and increases;
- Whether overall pay philosophy and structure is linked to sustainable long-term value creation for all stakeholders and shareholders;
- Whether executive pay is adequately linked to long-term shareholders' interests and a wide range of quantifiable and measurable financial and non-financial performance criteria are used for the vesting of short and long term incentives;
- Whether there is clear description of key remuneration components and their proportion;
- Whether a pay-for-performance principle including a claw back clause and an annual assessment is in place.

ECGS might reflect concerns over the remuneration system on other resolutions if the opportunity to vote on the remuneration is not provided to shareholders.

8.1 Disclosure

ECGS might recommend an oppose vote if the company fails to disclose its remuneration policy in a timely manner or if information provided to shareholders is insufficient to assess the structure and components of the remuneration.

8.2 Overall policy

Executive remuneration packages should fairly reward good corporate performance with remuneration geared to the achievement of targets that are stretching but do not encourage imprudent risk-taking, excessive conservatism or continuation of strategies that are no longer appropriate. The remuneration structure should balance the legitimate interests of the director with the potential cost to shareholders.

Aspects to be considered will include:

- The level of base salary compared with market and sector practice;
- The on-target annual bonus paid compared to fixed remuneration and the cap;
- The on-target long term incentives compared to fixed remuneration and the cap;
- The link between long-term performance and company strategy.

Policy statements should include a description and explanation for all elements of pay, justification for the choice of performance criteria and the level of targets, a description of how the remuneration strategy fits with overall corporate strategy and key performance indicators. The company should also refer to the relationship between directors' remuneration and employee remuneration levels. Factors specific to the company should be emphasised rather than relying on a general market rationale.

8.3 The role of the remuneration committee

Remuneration committees should not have the discretion to amend share scheme performance targets, criteria or performance periods without explicit shareholder authorisation. When considering

pay policy, remuneration committees should have access to independent advisers, separate to those used by the executives and these advisers should be named. The membership of CEOs or executive directors in remuneration committees should be limited.

8.4 Contractual terms

As a best practice rule, executive contracts should not include severance payments. Nevertheless, termination payments not exceeding one year of basic salary are accepted. Any potential payment in excess of one year of salary may become an issue for ECGS. It will be analysed according to local practice, local corporate governance code and specific rules country by country (see hereunder).

8.5 Pensions and other post retirement payments

Companies should disclose the annual pension cost or pension contributions. As a deferred remuneration not linked to performance, pensions should be limited in regards to total remuneration. In defined-benefit plans, the acquisition of pension rights should be granted proportionally over time (subject to seniority). The pension arrangements for each executive should be disclosed properly and should be in line with market practices.

9. Executive incentive schemes

Employment markets (affecting recruitment, retention and motivation) and legislation, taxation rules, over all mix of packages (basic salary, incentive awards and benefits) and overall complexity differ significantly. These differences will be taken into account when assessing whether to recommend approval of a proposed scheme. Each ECGS report will examine the following areas:

- Performance conditions;
- A vesting scale linking higher rewards to the achievement of exceptional rather than average performance;
- An expected value calculation for share based awards;
- The maximum level of potential awards;
- Evidence that the scheme itself and the overall package is not excessive;
- Potential dilution level

In the various markets there are different requirements with regard to shareholder authorization of executive incentive schemes. If shareholders do not have the opportunity to vote separately on executive share schemes, ECGS will apply its incentive scheme voting policy on the remuneration report or upon the share issue/repurchase authorities used to fund these schemes.

10. Employee incentive schemes

Incentive schemes for employees vary considerably across markets. Frequently they are the result of country specific legislation and tax regulations. In principle, ECGS is supportive of schemes which enable all employees to share in business success unless the dilutive effects of the plan are too disadvantageous to the shareholders. A maximum % of discount of the market price is admissible and no discount shall be admissible above a certain % of capital.

11. Director fees

The statement of policy should also deal with non-executive directors' remuneration. Performance related remuneration, such as bonuses or share options are considered inappropriate for non-executive directors as they may inhibit objective reviews of strategy. In countries where it is legal, ECGS is in favour of the partial payment of directors' fees in company shares in order to align their interests with the long term interests of shareholders. Directors should gradually build up a portfolio of company shares that they must keep for the whole duration of their mandate or until they retire from the Board.

12. Auditor election

12.1 Audit committees

ECGS considers that an audit committee consisting solely of independent directors is best practice. To assist shareholders in understanding the operation of the committee we believe that it should have written terms of reference and that these should be made publicly available. Audit committees should also produce a report of their activities to shareholders as part of the company's corporate governance disclosures. These should include information on the number of meetings, attendance rates, the issues discussed and whether management representatives were present.

12.2 Auditor independence

The independence, objectivity and effectiveness of the external auditor are of vital importance to shareholders, both in respect of individual companies and in terms of their public policy function of ensuring confidence in financial reporting. When voting on the auditors' re-election, ECGS will take into account:

- The proportion of fees paid for non-audit work against audit work during the year;
- The proportion over a three year period;
- The type of fees paid;
- Links to the Board or senior management;
- The auditors' terms and the change in lead audit partner.

12.3 Non-audit work

ECGS does not believe that audit firms should be employed to provide consultancy services to the management and also to undertake an independent audit on behalf of the shareholders at the same company or group. ECGS considers that commercial interests other than the audit of the company accounts can create a real or apparent conflict of interest and compromise auditors in their ability to

confront directors on difficult issues. Shareholders should be furnished with sufficient information on the nature of the other services provided to be able to make an informed judgement on the work undertaken and the potential to impair independence, in fact or perception. ECGS believes that the company should provide the highest transparency regarding the description of the fees paid to auditors. When audit-related fees are not sufficiently detailed, they will be recorded as non-audit fees.

13. Share issues and purchases

13.1 Share issue authorities with and without pre-emption rights

Any general authority (with no specific purpose) with pre-emption rights should mention a clear dilution limit with respect to share capital to be issued and should be limited in time. If pre-emption rights are waived, ECGS will oppose a general authority if it is not subject to strict time and dilution limits. ECGS applies different thresholds depending on the country when recommending a vote on such resolutions. ECGS does not apply limits when a specific authorisation is justified. Authorities are given on a case-by-case basis, depending on the objective of the authority.

ECGS is opposed to any anti-takeover devices employed by companies, which may lead to entrenched management and therefore harm shareholders' interests. Examples of unacceptable protective devices include issuance of special class shares or of 'poison pills' such as free warrants for shareholders in a period of public offer.

13.2 Share repurchases

Shares held in treasury may act as a poison pill, increasing the cost of a change in control. ECGS reports will take into account local market practice. Whatever the purpose of the authority to make market purchases, directors should provide a full justification as to why this is the best use of company resources rather than investment, acquisition, enhanced dividend or alternative means of returning value to shareholders. Voting rights attached to shares held by the company or a management-controlled trust should not be used at the management's discretion.

ECGS will take into account:

- The overall limitation of the authority and timeframe;
- The maximum share purchase price compared with the market price on the purchase date;
- Whether share repurchase is allowed during a public tender offer to hinder the takeover.
- The strength of the balance sheet and future projections of earnings and cash flows. Share repurchases should be aimed at redistributing excess cash (or capital), but they should be avoided if they lead to a deterioration of the company's overall (financial) risk profile.

14. Changes in the Articles of Association

As the Articles of Association form the basis for the exercise of shareholder rights and protection of their interests, changes rightly require shareholders' approval. ECGS reports will consider proposed amendments with particular care to ensure that changes do not negatively affect the position of shareholders. Where a number of changes are proposed in a single resolution, voting advice will reflect judgment on the balance of the changes. It is the view of ECGS that companies should make available in full the existing version. ECGS considers it best practice to put separate resolutions relating to amendments of the Articles of Association according to the type of amendment requested rather than bundling all changes in one resolution.

15. Mergers and Acquisitions

ECGS will analyse mergers and acquisitions proposals on their individual merits including:

- Long term strategic interests of the operation in line with the company objectives;
- The financial terms: valuation of the asset acquired in relation to normal market price as well as the pricing of the new shares in relation to the current stock price;
- The possible impact on shareholders' rights or corporate governance;
- The potential impact on other stakeholders and their long term interests.

Given the importance of issues which are proposed at many EGMs such as major takeovers, mergers and rights issues, the notice period for EGMs should be as long as possible and preferably 21 working days. Full information and justification needs to be provided together with an assessment of the likely financial and strategic impact on the company and its stakeholders. A fairness opinion made by an independent institution is necessary for shareholders to make an informed decision.

16. Anti-takeover defences

ECGS is opposed in principle to anti-takeover devices employed by companies, which may lead to entrenched management and therefore harm shareholders' interests. Examples of unacceptable protective devices include special board appointment rights, 'poison pills' and voting caps.

17. Corporate Social Responsibility

ECGS will review the most material issues for all stakeholders in terms of environmental and social impacts. Depending on the company's sector and the country market practice in terms of reporting, the following areas will be highlighted:

- Standards against which CSR reporting has been prepared
- Environment
- Employees
- Community
- Business Ethics

ECGS will take into account policies, quantified data and objectives as well as on-going trials or investigations.

18. Miscellaneous

18.1 Political donations

ECGS does not generally favour the use of shareholder funds to support political organisations. ECGS will consider the authority limit as well as the use of donations during the year under review when assessing related resolutions.

18.2 Shareholder resolutions and countermotions

Shareholder resolutions are an integral part of the corporate governance process. They enable shareholders to take the initiative on issues which directors may be unwilling to address or where directors may face a conflict of interest.

In assessing voting advice on a resolution proposed by a shareholder, ECGS reports will consider the following questions:

- Is the matter appropriate for the General Meeting?
- Is it adequately justified by its proponents?
- Is the proposal in the long-term interests of the company and of all stakeholders?

A summary of relevant external resolutions will be included in the report.

18.3 Extraordinary General Meetings

ECGS will issue voting recommendations when an EGM is convened on a case by case basis, considering:

- Background information
- Financial information
- Strategic analysis
- Shareholding structure & corporate governance impact



ECGS

Expert Corporate
Governance Service

Find more about our services on www.ecgs.com