

Global proxy voting guidelines

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Executive summary

Manulife Investment Management (Manulife IM) believes that strong management of all forms of corporate capital, whether financial, social, or environmental, will mitigate risks, create opportunities, and drive value over the long term. Manulife IM reviews and considers environmental, social, and corporate governance risks and opportunities in our investment decisions. Once invested, Manulife IM continues our oversight through active ownership, which includes portfolio company engagement and proxy voting of underlying shares. We believe proxy voting is a vital component of this continued oversight as it provides a voice for minority shareholders regarding management actions.

Manulife IM has developed some key guidelines that generally inform our proxy voting decisions and engagements. We believe these guidelines generally encourage practices that preserve value and drive positive company performance. These guidelines express our approach to voting on issues ranging from director elections and executive compensation to the preservation of shareholder rights and stewardship of environmental and social capital. Manulife IM also adopts positions on certain sustainability topics, and these voting guidelines should be read in conjunction with those position statements. Currently, we have a climate change statement, a nature statement, a water statement, and an executive compensation statement that also help guide proxy voting decisions on those matters. The facts and circumstances of each company are unique, and Manulife IM may deviate from these guidelines where we believe doing so will preserve or create value over the long term for our clients. These guidelines also do not address the specific content of all proposals voted around the globe, but provide a general lens of value preservation, value creation, risk management, and protection of shareholder rights through which Manulife IM analyzes voting matters.

Manulife IM's global proxy voting policy and procedures provide further background on the process and governance of our voting approach for interested stakeholders while the Manulife IM issuer engagement policy provides information on our general approach to executing constructive dialogue with issuers to preserve and enhance client portfolio value.

Proxy voting guidelines

- I. **Boards and directors:** Manulife IM generally uses the following guidelines to review proposals covering director elections and board structure in the belief that they encourage engaged and accountable leadership of a company.
- a. **Board independence:** The most effective boards are composed of directors with a diverse skill set who can provide an objective view of the business, oversee management, and make decisions in the best interest of the shareholder body at large. To create and preserve this voice, boards should have a significant number of nonexecutive, independent directors. The actual number of independent directors can vary by market, and Manulife IM accounts for these differences when reviewing the independence of the board. Ideally, however, there is an independent majority among directors at a given company.
- b. **Committee independence:** Manulife IM also prefers that key board committees are composed of independent directors. Specifically, the audit, nomination, and compensation committees should generally be entirely or majority composed of independent directors.
- c. **Attendance:** A core part of a director's duties is to remain an engaged and productive participant at board and committee meetings. Directors should, therefore, attend at least 75% of board and committee meetings in the aggregate over the course of a calendar year.
- d. **Diversity:** In line with the guidelines expressed in relation to board independence above, Manulife IM believes boards with strong gender representation are better equipped to manage risks and oversee business resilience over the long term compared with companies with low gender balance. Manulife IM generally encourages companies to aspire to a higher balance of gender representation globally; we also generally encourage boards to achieve racial and ethnic diversity among their members. At present, we consider different standards depending on best practices in a local market and we may vote against the nomination committee chair where these standards are not met. As some examples:
- **Canada:** Boards should be composed of at least 30% underrepresented gender and include one racially or ethnically diverse member.
 - **United States:** Boards should include at least one underrepresented gender and one racially or ethnically diverse member.
 - **Europe:** Boards should be composed of at least 40% underrepresented gender.
 - **United Kingdom:** Boards should be composed of at least 33% underrepresented gender and include at least one racially or ethnically diverse member.
 - **Japan:** Boards should include at least one underrepresented gender.
- e. **Classified/staggered boards:** Manulife IM prefers that directors be subject to election and reelection on an annual basis. Annual elections operate to hold directors accountable for their actions in a given year in a timely manner. Manulife IM generally opposes the creation of classified or staggered director election cycles designed to extend director terms beyond one year. Manulife IM also generally supports proposals to eliminate these structures.
- f. **Overboarding:** Manulife IM believes directors should limit their outside board seats in order to ensure that they have the time and attention to provide their director role at a company in question. Generally, this means directors should not sit on more than five public company boards. The role of CEO requires an individual's significant time and attention. Directors holding the role of CEO at any public company, therefore, generally should not sit on more than three public company boards inclusive of the company at which they hold the CEO role.

- g. Independent chair/CEO:** Governance failures can occur where a manager has company control over a board through the combination of the chair/CEO roles. Manulife IM generally supports the separation of the chair/CEO roles as a means to prevent board capture by management. We may evaluate proposals to separate the chair/CEO roles on a case-by-case basis, for example; however, we also consider such factors as the establishment of a strong lead independent director role or the temporary need for the combination of the CEO/chair roles to help the company through a leadership transition.
- h. Vote standard:** Manulife IM generally supports a vote standard that allows resolutions to pass, or fail, based on a majority voting standard. Manulife IM generally expects companies to adopt a majority voting standard for director elections and supports the elimination of a plurality vote standard except in the case of contested elections.
- i. Contested elections:** Where there is a proxy contest or a director's election is otherwise contested, Manulife IM evaluates the proposals on a case-by-case basis. Consideration is given to company performance, whether there have been significant failures of oversight, and whether the proponent for change makes a compelling case that board turnover will drive company value.
- j. Proliferation of differential voting rights:** Manulife IM may vote against certain directors where the company maintains a stock structure with differential voting rights across classes of shares. Manulife IM may permit newly public companies to maintain a share structure with differential voting rights provided the company provides for a sunset of that structure no more than seven years from the date of first going public.
- k. Significant and problematic actions or omissions:** Manulife IM believes boards should be held accountable to shareholders in instances where there is a significant failure of oversight that has led to a loss of company value, transparency failure, or otherwise curtailed shareholder rights. Manulife IM generally considers withholding from, or voting against, certain directors in these situations. Some examples of actions that might warrant a vote against directors include, but are not limited to, the following:
- **Failure of oversight:** Manulife IM may take action against directors where there has been a significant negative event leading to a loss of shareholder value and stakeholder confidence. A failure may manifest itself in multiple ways, including adverse auditor opinions, material misstatements, failures of leadership and governance, failure to manage corporate governance and sustainability risks, environmental or human rights violations, and poor sustainability reporting.
 - **Adoption of anti-takeover mechanism:** Boards should generally review takeover offers independently and objectively in consideration of the potential value created or lost for shareholders. Manulife IM generally holds boards accountable when they create or prolong certain mechanisms, bylaws, or article amendments that act to frustrate genuine offers that may lead to value creation for shareholders. These can include poison pills; classes of shares with differential voting rights; classified, or staggered, board structures; and unilateral bylaw amendments and supermajority voting provisions.
 - **Problematic executive compensation practices:** Manulife IM encourages companies to adopt best practices for executive compensation in the markets in which they operate. Generally, this means that pay should be aligned with performance. Manulife IM may hold directors accountable where this alignment is not robust. We may also hold boards accountable where they have not adequately responded to shareholder votes against a previous proposal on remuneration or have adopted problematic agreements or practices (e.g., golden parachutes, repricing of options).

- **Bylaw/article adoption and amendments:** Shareholders should have the ability to vote on any change to company articles or bylaws that will materially change their rights as shareholders. Any amendments should require only a majority of votes to pass. Manulife IM will generally hold directors accountable where a board has amended or adopted bylaw and/or article provisions that significantly curtail shareholder rights.
- **Engagement responsiveness:** Manulife IM regularly engages with companies to discuss corporate governance and sustainability risks and opportunities and may request changes from companies during these discussions. Manulife IM may vote against certain directors where we have engaged with a company and requested certain changes but the company has not made sufficient progress on those matters.
- **Climate risk mitigation:** Manulife IM may vote against the chair of the committee responsible for climate oversight at certain companies that do not appear to have disclosure, strategy, and targets aligned with a net zero by 2050 goal. Specifically, Manulife IM may vote against a responsible committee chair where the company has not:
 - disclosed using the TCFD reporting framework,
 - adopted a target to achieve net zero emissions by 2050 or sooner, and
 - set a medium-term target for reducing their GHG emissions.

II. Environmental and social proposals: Manulife IM expects its portfolio companies to manage material environmental and social issues affecting their businesses, whether risks or opportunities, with a view toward long-term value preservation and creation¹ Manulife IM expects companies to identify material environmental and social risks and opportunities specific to their businesses, to develop strategies to manage those matters, and to provide meaningful, substantive reporting while demonstrating progress year over year against their management plans. Proposals touching on management of risks and opportunities related to environmental and social issues are often put forth as shareholder proposals but can be proposed by management as well.

a. Evaluating shareholder proposals: Manulife IM generally supports shareholder proposals that request greater transparency or adherence to internationally recognized standards and principles regarding material environmental and social risks and opportunities. When evaluating shareholder proposals, Manulife IM may consider:

- **The magnitude of the risk/opportunity:** Manulife IM evaluates the level of materiality of a certain environmental or social issue identified in a proposal as it pertains to the company's ability to generate value over the long term. This review includes deliberation of the effect an issue will have on the financial statements and/or the cost of capital.
- **The company's current management of the risk/opportunity:** Manulife IM analyzes a company's current approach to an issue to determine whether the company has robust plans, infrastructure, and reporting to mitigate the risk or embrace the opportunity. Recent controversies, litigation, or penalties related to a given risk are also considered.
- **The company's current disclosure framework:** Manulife IM expects companies to disclose enough information for shareholders to assess the company's management of environmental and social risks and opportunities material to the business. Manulife IM may support proposals calling for enhanced company disclosure regarding environmental and social issues where additional information would help our evaluation of a company's exposure, and response, to those factors.
- **Legislative or regulatory action of a risk/opportunity:** When reviewing proposals on environmental or social factors, Manulife IM considers whether a given risk or opportunity is currently addressed by local regulation or law in the markets in which a company operates and whether those rules are designed to adequately manage an issue. Manulife IM also considers whether a company should proactively address a matter in anticipation of future legislation or regulation.
- **Cost to, or disruption of, the business:** When reviewing environmental and social proposals, Manulife IM assesses the potential cost of the requested action against the benefit provided to the company and its shareholders. Particular attention is paid to proposals that request actions that are overly prescriptive on management or that request a company exit markets or operations that are essential to its business.

¹ For more information on issues generally of interest to our company, please see the Manulife Investment Management engagement policy, the Manulife Investment Management sustainable investing and sustainability risk statement, the Manulife Investment Management climate change statement, the Manulife Investment Management nature statement and the Manulife Investment Management water statement.

b. Management advisory votes on climate: Many companies are now putting forward advisory proposals on climate for a shareholder vote. Manulife IM reviews these proposals as they arise on a case-by-case basis, considering the general strength of a company's climate strategy. Some examples of factors we may consider include, but are not limited to, the following:

- whether the company is reporting using the framework provided by the TCFD;
- whether the company is reporting its scope 1, scope 2, and scope 3 emissions;
- whether a company's GHG emissions-reduction targets are rigorous and cover the bulk of a company's emissions profile;
- whether the company has committed to achieve net zero emissions by 2050;
- whether the company has received third-party assurance of reported climate data; and
- company practices relative to peers.

III. Shareholder rights: Manulife IM generally supports management or shareholder proposals that protect, or improve, shareholder rights and opposes proposals that remove, or curtail, existing rights.

a. Shareholder rights plans (poison pills): Manulife IM generally opposes mechanisms intended to frustrate genuine takeover offers. Manulife IM may, however, support shareholder rights plans where the plan has a trigger of 20% ownership or more and will expire in three years or less. In conjunction with these requirements, Manulife IM evaluates the company's strategic rationale for adopting the poison pill.

b. Supermajority voting: Shareholders should have the ability to direct change at a company based on a majority vote. Manulife IM generally opposes the creation, or continuation, of any bylaw, charter, or article provisions that require approval of more than a majority of shareholders for amendment of those documents. Manulife IM may consider supporting such a standard where the supermajority requirement is intended to protect minority shareholders.

c. Proxy access: Manulife IM believes that shareholders have a right to appoint representatives to the board that best protect their interests. The power to propose nominees without holding a proxy contest is a way to protect that right and is potentially less costly to management and shareholders. Accordingly, Manulife IM generally supports the creation of a proxy access right (or similar power at non-U.S. companies) provided there are reasonable thresholds of ownership and a reasonable number of shareholders can aggregate ownership to meet those thresholds.

d. Written consent: Written consent provides shareholders with the power to formally demand board action outside of the context of an annual general meeting. Shareholders can use written consent as a nimble method of holding boards accountable. Manulife IM generally supports the right of written consent as long as that right is reasonably tailored to reflect the will of a majority of shareholders. Manulife IM may not support such a right, however, where there is a shareholder with a significant, or controlling, stake. Manulife IM evaluates the substance of any written actual consent proposal in line with these guidelines.

e. Right to call a special meeting: Manulife IM is generally supportive of the shareholder right to call a special meeting. This right allows shareholders to quickly respond to events that can significantly affect company value. Manulife IM believes that a 10% ownership threshold to call a special meeting reasonably protects this shareholder right while reducing the possibility of undue distraction for management.

IV. Executive compensation: Manulife IM encourages companies to align executive incentives with shareholder interests when designing executive compensation plans. Companies should provide shareholders with transparent, comprehensive, and substantive disclosure regarding executive compensation that aids shareholder assessment of the alignment between executive pay and company performance. Companies should also have the flexibility to design remuneration programs that fit a company's business model, business sector and industry, and overall corporate strategy. No one template of executive remuneration can fit all companies.

a. Advisory votes on executive compensation: While acknowledging that there is no singular model for executive compensation, Manulife IM closely scrutinizes companies that have certain concerning practices, which may include:

- **Misalignment between pay and company performance:** Pay should generally move in tandem with corporate performance. Companies in which CEO pay remains flat, or increases, though corporate performance remains down relative to peers, are particularly concerning.
- **One-time grants:** A company's one-time grant to an executive, outside of the normal salary, bonus, and long-term award structure, may be indicative of an overall failure of the board to design an effective remuneration plan. A company should have a robust justification for making grants outside of the normal remuneration framework.
- **Significant quantity of nonperformance-based pay:** Executive pay should generally be weighted more heavily toward performance-based remuneration to create the alignment between pay and performance. Companies should provide a robust explanation for any significant awards made that vest solely based on time or are not otherwise tied to performance.
- **Lack of rigor in performance targets:** Performance targets should challenge managers to improve corporate performance and outperform peers. Targets should, where applicable, generally align with, or even outpace, guidance, incentivize outperformance against a peer group, and otherwise remain challenging.
- **Lack of disclosure:** Transparency is essential to shareholder analysis and understanding of executive remuneration at a company. Manulife IM expects companies to clearly disclose all major components of remuneration. This includes disclosure of amounts, performance metrics and targets, vesting terms, and pay outcomes.
- **Repricing of options:** Resetting the exercise price of outstanding options significantly undermines the incentive nature of the initial option grant. Although a company may have a strong justification for repricing options, Manulife IM believes that companies should put such decisions to a shareholder vote. Manulife IM may generally oppose an advisory vote on executive compensation where a company has repriced outstanding options for executives without that shareholder approval.
- **Adoption of problematic severance agreements (golden parachutes):** Manulife IM believes managers should be incentivized to pursue and complete transactions that may benefit shareholders. Severance agreements, if structured appropriately, can provide such inducements. At the same time, however, the significant payment associated with severance agreements could potentially drive managers to pursue transactions at the expense of shareholder value. Manulife IM may generally oppose an executive remuneration proposal where a company has adopted, or amended, an agreement with an executive that contains an excise tax gross-up provision, permits accelerated vesting of equity on a change in control, allows an executive to unilaterally trigger the severance payment, or pays out in an amount greater than 300% of salary and bonus combined.

- V. **Capital structure:** Manulife IM believes companies should balance the need to raise capital and encourage investment with the rights and interests of the existing shareholder body. Evaluation of proposals to issue shares, repurchase shares, conduct stock splits, or otherwise restructure capital is conducted on a case-by-case basis with some specific requests covered here:
- a. **Common stock authorization:** Requests to increase the pool of shares authorized for issuance are evaluated on a case-by-case basis with consideration given to the size of the current pool, recent use of authorized shares by management, and the company rationale for the proposed increase. Manulife IM also generally supports these increases where the company intends to execute a split of shares or pay a stock dividend.
 - b. **Reverse stock splits:** Manulife IM generally supports proposals for a reverse stock split if the company plans to proportionately reduce the number of shares authorized for issue in order to mitigate against the risk of excessive dilution to our holdings. We may also support these proposals in instances in which the company needs to quickly raise capital in order to continue operations.
 - c. **Dual class voting structure:** Voting power should align with economic interest at a given company. Manulife IM generally opposes the creation of new classes of stock with differential voting rights and supports the elimination of these structures.
- VI. **Corporate transactions and restructurings:** Manulife IM reviews mergers, acquisitions, restructurings, and reincorporations on a case-by-case basis through the lens of whether the transaction will create shareholder value. Considerations include fairness of the terms, valuation of the event, changes to management and leadership, realization of synergies and efficiencies, and whether the rationale for a strategic shift is compelling.
- VII. **Cross-shareholding:** Cross-shareholding is a practice in which companies purchase equity shares of business partners, customers, or suppliers in support of those relationships. Manulife IM generally discourages this practice as it locks up company capital that could be allotted to income-generating investments or otherwise returned to shareholders. Manulife IM will review cross-shareholding practices at companies, and we encourage companies to keep cross-shareholdings below 20% of net assets.
- VIII. **Audit-related issues:** Manulife IM believes that an effective auditor will remain independent and objective in its review of company reporting. Companies should be transparent regarding auditor fees and other services provided by an auditor that may create a conflict of interest. Manulife IM uses the below guidelines in regard to voting decisions related to auditors.
- a. **Auditor ratification:** Manulife IM generally approves the reappointment of the auditor absent evidence that it has either failed in its duties or appears to have a conflict that may not allow independent and objective review of a company.
 - b. **Auditor rotation:** If Manulife IM believes that the independence and objectivity of an auditor may be impaired at a company, we may support a proposal requesting a rotation of the auditor. Reasons to support the rotation of the auditor can include a significant failure in the audit function and excessive tenure of the auditor at the company.

Appendix A

Manulife IM advisory affiliates in scope of policy and investment management business only

Manulife Investment Management Limited

Manulife Investment Management (North America) Limited

Manulife Investment Management (Hong Kong) Limited

PT Manulife Aset Manajemen Indonesia¹

Manulife Investment Management (Japan) Limited

Manulife Investment Management (Malaysia) Bhd. Manulife Investment Management and Trust Corporation

Manulife Investment Management (Singapore) Pte. Ltd.

Manulife IM (Switzerland) LLC

Manulife Investment Management (Taiwan) Co., Ltd.¹

Manulife Investment Management (Europe) Limited

Manulife Investment Management (US) LLC

¹ By reason of certain local regulations and laws with respect to voting, for example, manual/physical voting processes or the absence of a third-party proxy voting service provider for those jurisdictions, PT Manulife Aset Manajemen Indonesia does not engage a third-party service provider to assist in their proxy voting processes. Manulife Investment Management (Taiwan) Co., Ltd. uses the third-party proxy voting service provider to execute votes for non-Taiwanese entities only.