



Voting Policy Guidelines

Value Square believes that voting rights are an indispensable tool towards enhancing sustainability in our investee companies. At the same time voting requires considerable time and efforts from the asset manager and having a clearly laid out voting policy statement helps to achieve consistency and rigor with our voting procedures. A key tenet is to use common sense while keeping in mind that we vote in the interest of the investors in the Value Square Funds. Thus, the principles laid out in the following statement are derived fundamentally from the ESG principles that we use for assessment of companies on sustainability. In a way these are only an extension to those ESG principles. Value Square continues to expand its commitment as a responsible investor. These voting principles enhance the final and most important pillar of our ESG framework, which is engagement and our role as an active shareholder. If we vote against most of the proposals, we will engage with the company to improve the governance, and if we are not heard by the board, we will consider divestment of this company.

INDEPENDENCE OF BOARD AND COMMITTEES:

Value Square recommends every investee company to opt for a diverse and independent board composition. We do however understand that a unified set of criteria might not be best for small- and mid-cap companies and holding companies. So, we propose the following as our voting principle for board independence and composition.

1. Every board should have at least one third of members as independent and non-executive. We rely on the internationally accepted definition of an independent member towards this end. If the board fails to count at least one third independent members, we will vote against election of non-independent or executive members of the board.
2. Independent members that have served beyond 15 years will no longer be considered independent in the above calculation and we will vote against re-election of such independent members.
3. We recommend that CEO and Chairman functions should be separate to ensure independent functioning of the board. However, we understand that this can be a challenge for family and founder led companies, and, in those cases, we recommend a clear conflict of interest policy in the corporate governance charter of the company. Failing a well communicated conflict of interest policy, we will vote against reelection of chairperson who is also the CEO of the company. To this extent, immediate family relations will also be taken into consideration and will be considered as a separation of management and board functions.
4. Independence of remuneration, audit and nomination committees: We recommend these committees to maintain their independence and so comprise of at least more than half



independent members or are chaired by an independent member of the board. If none of these criteria are met, we will vote against election of executive members of the board that are part of these committees.

BOARD DIVERSITY, EXPERTISE AND COMPOSITION:

1. Diversity: we recommend representation of both genders in the board of directors, and for a board that fails to meet this requirement, we will vote against re-election of nomination committee chairperson.
2. Industry expertise: Value Square strongly recommend representation of industry experts in board. In cases where there is not a single member of the board with enough experience in the industry and the company fails to disclose such expertise, we will vote against re-election of the nomination committee chairperson.
3. Board attendance: We will vote against re-election of such board members who have attended fewer than half of board meetings (or at least 2 board meetings), over past 2 years.

REMUNERATION OF EXECUTIVE AND BOARD:

1. The remuneration policy of a company should be fair and honorable. This will be judged on a case by case basis. We will not support self-enrichment of the board members or management.
2. Alignment of executive remuneration with shareholder value creation: We will vote against a remuneration policy where there is a clear misalignment between executive remuneration and shareholder value creation. So, for instance in years where executive continue to receive large bonuses where company prospects remain grim and profits decline, we will vote against approval of remuneration report. This will be on a case by case basis.
3. Share based compensation: We support compensation where a considerable portion of executive remuneration (at least one third) is linked to variable performance related pay. In this regard we support share-based compensation but with a vesting period of at least 2 years.
4. Transparency: We expect companies to disclose sufficient details about performance indicators that are set for performance related remuneration. If we are not convinced of the such disclosure, we will vote against the remuneration report.
5. One off payment: We will not support resolutions for one-off compensation including golden parachutes and severance payments.

SHAREHOLDER RIGHTS:

1. Equal voting rights: Value Square recommends the opportunity to equal voting rights for all shareholders. We prefer the principle of One Share, One Vote, but as long-term shareholder understand the benefits of multiple share classes and multiple voting rights for long term shareholders, if there are no additional conditions to obtain these voting rights.
2. We will support abolition of share class with unequal voting rights.

AUDIT RELATED MATTERS:

1. We will vote against an auditor selection if the non-audit fees payments exceed 50% of the total fees paid in the previous year.
2. We will not support an auditor selection if we have serious concerns over credibility of such an audit firm.
3. In case an auditor is changed without comprehensive explanation we will not support the selection of a new auditor.



APPROVAL OF FINANCIAL RESULTS:

1. We will vote against approval of financial results if the auditor has flagged serious and material discrepancies in such statements, or if we believe the company provides too little disclosures in notes of financial statements.

CAPITAL STRUCTURE RELATED MATTERS:

1. We will not support issuance of additional shares with pre-emptive rights if we consider it to be excessively diluting to existing shareholders or if we conclude that the shares are being issued at a large discount to our estimate of the company's intrinsic value.
2. We will vote against authorization of additional shares with-out preemptive rights exceeding 20% of currently issued share capital.
3. We will not support issuance of new shares with preferential rights.
4. We will support authorization of share repurchases and cancellation of treasury shares.

CORPORATE TRANSACTIONS, RELATED PARTY TRANSACTIONS, ANTI-TAKEOVER MECHANISMS:

1. We will vote against such corporate transactions that we believe do not lead to shareholder value creation.
2. We will vote against such corporate transactions, mergers or acquisitions where we determine conflict of interest exists and those that are not in best interest of all common shareholders.
3. We will vote against such corporate transactions, merger or acquisitions that are not backed by sufficient disclosure or lacking approval from an independent valuation authority.
4. We will vote against related party transactions where there are insufficient disclosures on ultimate beneficiary.
5. We will vote against related party transactions if we conclude that it can seriously harm the profit prospects of a company or is to the benefit to controlling shareholders.
6. Anti-takeover mechanisms: We believe that such mechanisms are not beneficial to common shareholders. We will vote against introduction or renewal of anti-takeover measures including poison pills, shareholder rights plans, staggered boards and golden parachute among others.

SUSTAINABILITY RELATED MATTERS:

1. We will support a resolution that seeks improvement on sustainability or seeks additional sustainability disclosure from the company.

COMPLIANCE VOTING POLICY:

To ensure the respect of the Voting Policy in practice, the Compliance Officer of Value Square will perform an annual compliance check (around the month of November). The voting policy compliance check consists of 2 elements:

1. Compliance check whether Value Square has met the UN PRI threshold with regards to General Meeting voting: VS should vote during the General Meetings of at least 80% of the companies VSF has in its portfolios.
2. Compliance check whether Value Square votes in accordance with its voting policy by analyzing the submitted voting forms and proxy forms. The analysis will be performed by means of sampling. Three types of samples will be taken to ensure representability:
 - a. A voting or proxy form of an investee company located in each relevant continent:
 1. EU
 2. North-America
 3. Asia
 4. Africa



- b. Three voting or proxy forms of a holding company and an operating company, respectively.
- c. Three voting or proxy forms containing negative votes

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