

# Triodos Investment Management

**SWISSCOM AGM Date: 7 April 2014**

**1.1 Accept Financial Statements and Statutory Reports** **For**

Disclosure is acceptable and the report was made available sufficiently before the meeting. No serious concerns have been identified. Acceptable proposal.

**1.2 Approve the Remuneration Report** **Abstain**

The Board submit the Remuneration Policy for shareholders' approval. The details are included in the body of this report. Executive remuneration is capped to 100% in case of over achievement and severance packages are capped at 12 months. The main concerns regard the absence of quantified performance targets and a general short term performance timeline (a three-year holding period for restricted shares with which Non-Executive and Executive Directors are obliged to build their shareholding). Based on the absence of quantified performance targets Triodos abstains.

**2 Approve the dividend** **For**

The Board proposes a dividend of Euro CHF 22 per share. The dividend is covered by earnings (payout ratio is 67.6%). Acceptable proposal.

**3 Discharge the Board and Senior Management** **For**

Standard proposal. No major governance concerns have been identified. Acceptable proposal.

**4.1 Amend Articles Re: Ordinance Against Excessive Remuneration at Listed Companies** **For**

In March 2013, Swiss voters voted in favour of the popular initiative "against excessive pay", frequently named the Minder Initiative after its initiator, the council of states member Thomas Minder. The implementing ordinance of the Federal Council was adopted on 20th November 2013 and entered into force on 1 January 2014. The ordinance has a significant impact on shareholder rights and governance and will be valid until implementing legislation is enacted. Companies will be required to change their articles to give effect to the new regulations. In particular, depending on the existing article provisions, companies may need new powers in their articles to:

Propose separate annual binding shareholder votes on the total amount of aggregate compensation of the Board of Directors and the executive management;

Propose an annual shareholder vote on the election of all members of the Board and, specifically, the Chairman and members of the Compensation Committee;

Prohibit certain forms of compensation, including severance payments, compensation paid in advance and transaction bonuses;

Introduce an independent proxy as the only valid institutional shareholder representative;

Introduce a remote indirect electronic voting capability for shareholders wishing to vote in advance of the AGM;

Swisscom is proposing to amend sub-sections 5.1, 5.5, 5.7.2 to 5.7.4, 6.1 (title), 6.1.2, 6.1.5, 6.2.3 letters f and j as well as 11 of the Bylaws, which correspond to the following: annual term for Directors and election of the Chairman of the Board, election of the Remuneration Committee and the independent proxy and the binding approval of the Remuneration Report.

In addition the company is seeking to introduce annual approval of the management report

and to cancel article 11 (the provision on the contribution in kind can by law be rescinded ten years after adoption in the Bylaws, which was in 1998).

The article changes which seek to give effect to these new and significant shareholder rights are supported. Acceptable proposal.

**4.2 Amend Articles Re: Remuneration (Ordinance Against Excessive Remuneration at Listed Companies) For**

The Board of Directors proposes to amend sub-sections 5.7.7, 5.7.8, 6.4, 7.1 (title), 7.2, 8 (title) and 8.1 of the Bylaws. The proposed amendments concern the remuneration for Directors (in cash and restricted shares) and remuneration variable component for executives capped at 70% in case of on-target achievement and 100% in case of over-achievement (of which at least 25% to be paid in restricted shares with a three-year vesting period). Although specific criteria and targets are not disclosed in the Articles, it is required that the awards be linked with performance and the maximum awards are not considered excessive. The article changes which seek to give effect to these new and significant shareholder rights are supported. Acceptable proposal.

**4.3 Amend Articles Re: Further Amendments Required by Ordinance Against Excessive Remuneration at Listed Companies For**

The Board of Directors proposes additional amendments to the Bylaws with sub-sections 6.5, 8.2 and 8.3, which regard the tasks of the Remuneration Committee, severance payments capped at 12 months and limit of three mandates in addition to the Board or Executive Directorship, respectively. The article changes which seek to give effect to these new and significant shareholder rights are supported. Acceptable proposal.

**5.1 Re-elect Barbara Frei as Director For**  
Independent Non-Executive Director.

**5.2 Re-elect Hugo Gerber as Director For**  
Non-Executive Director. Not independent by the Company and not considered to be independent as he is an Employee Representative. There is sufficient independent representation on the Board.

**5.3 Re-elect Michel Gobet as Director For**  
Non-Executive Director. Not independent by the Company and not considered to be independent as he is an Employee Representative. There is sufficient independent representation on the Board.

**5.4 Re-elect Torsten Kreindl as Director Abstain**  
Non-Executive Director. Not independent by the Company and not considered to be independent as he has served on the board for more than nine years. There is sufficient independent representation on the Board. However, there are concerns over his potential aggregate time commitments. Triodos elects to abstain.

**5.5 Re-elect Catherine Muehlemann as Director For**  
Independent Non-Executive Director.

**5.6 Re-elect Theophil Schlatter as Director For**  
Independent Non-Executive Director.

**5.7 Elect Frank Esser as Director For**  
Independent Non-Executive Director Nominee.

**5.8 Re-elect Hansueli Loosli as Director Abstain**  
Independent Non-Executive Chairman. There are concerns over his potential aggregate time commitments. Triodos elects to abstain.

**5.9 Elect Hansueli Loosli as Board Chairman** **For**

The Company proposes to re-elect Mr. Loosli as Non-Executive Chairman of the Board. He is considered to be independent and this is in accordance with best practice. Acceptable proposal.

**6.1 Appoint Barbara Frei as Member of the Compensation Committee** **For**

It is considered that the Remuneration Committee should consist exclusively of non-executive independent directors. This candidate is considered independent. Acceptable proposal.

**6.2 Appoint Thorsten Kreindl as Member of the Compensation Committee** **For**

It is considered that the Remuneration Committee should consist exclusively of non-executive independent directors. This candidate is not considered to be independent.

**6.3 Appoint Hansueli Loosli as Member without voting rights of the Compensation Committee** **Abstain**

The Company proposes to re-elect the Non-Executive Chairman as member of the Remuneration Committee without voting rights, although with advisory function. He is considered to be independent. However, there are concerns over his potential aggregate time commitments. Triodos elects to abstain.

**6.4 Appoint Theophil Schlatter as Member of the Compensation Committee** **For**

It is considered that the Remuneration Committee should consist exclusively of non-executive independent directors. This candidate is considered independent. Acceptable proposal.

**6.5 Appoint Hans Werder as Member of the Compensation Committee** **For**

It is considered that the Remuneration Committee should consist exclusively of non-executive independent directors. This candidate is not considered to be independent.

**7 Designate Reber Rechtsanwaelte as Independent Proxy** **For**

The Board of Directors proposes the election of Reber Rechtsanwaelte as the independent proxy for the period from 2014 until the conclusion of the 2015 ordinary Annual General Meeting of Shareholders. Regulatory changes in Switzerland now prohibit the appointment of a depositary or a corporate proxy. This change is welcomed. Uninstructed proxy votes lodged with depositary banks acting as an intermediary in the proxy chain or with the company itself have traditionally been treated as a vote in favour of all management resolutions. The Company is seeking approval for the appointment of Reber Rechtsanwaelte to act on behalf of shareholders voting at the meeting. The term sought is for no longer than one year. The named proxy has no other commercial relationship with the company. Acceptable proposal.

**8 Ratify KPMG AG as Auditors** **For**

KPMG AG proposed. Non-audit fees were approximately 13.89% of audit and audit related fees during the year under review. Non-audit fees over a three year basis were approximately 16.5% of audit and audit related fees. Acceptable proposal.