

Enhanced Proxy Voting Service

Product Description

Enhanced Proxy Voting Service Product Description

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Contents

1. Introduction	1
Who are ISS?.....	1
Main features of the Proxy Voting Service	1
Data protection	1
Benefits and features	2
2. Product and service	3
Meeting life cycle	3
Ballot creation	4
Meeting notification and agenda	4
Vote decision.....	5
Standing instructions	5
Power of Attorney (PoA) for vote execution	5
Confirmation of vote submission	6
Customer vote instruction Deadline	6
Vote execution documentation	6
Blocking and unblocking of securities	6
Physical attendance.....	6
Meeting results.....	6
SWIFT processing	6
Service for customers that have outsourced their proxy processing	7
ISS Service Support	7
ProxyExchange™ Service	7
Service Support from Clearstream	7
3. Getting started	8
Documentation	8
Customer setup	8
4. Billing	11
Proxy Voting Service fees	11
Fees reporting	11
5. Unsubscribing from the service	11
6. Contact details	11
7. Glossary	12

Enhanced Proxy Voting Service

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1. Introduction

Clearstream Banking's Proxy Voting Service covers all Clearstream proxy voting markets and eligible instrument types, including Eurobonds and investment funds shares, together with Institutional Shareholder Services, Inc. (ISS).

The extended service is designed to support domestic and cross-border shareholders in their governance rights and to help facilitate active ownership to meet corporate governance guidelines, such as the EU Shareholders Rights Directive.

Clearstream's solution with ISS is designed to remove friction for customers. Standardised, timely, accurate information, actively procured by ISS, and features such as power of attorney management, standing instructions per market and customised alerts enable customers to exercise their voting rights in a way that is simple, quick and efficient.

Who are ISS?

ISS is a leading provider of investment decision support tools to investors globally. They are the leading provider of corporate governance solutions to the global financial community with a team of more than 1,200 research, technology and customer service professionals located in financial centres worldwide.

Main features of the Proxy Voting Service

Together with ISS, Clearstream Banking offers a complete range of proxy voting services, including:

- Coverage of all Clearstream proxy voting markets;
- Coverage of all Clearstream eligible assets including Eurobonds and investment fund shares;
- Coverage for core custody, securities lending and collateral management products;
- Support of SWIFT ISO 15022 and ISO 20022 formats;
- Sophisticated online tool for reporting and voting (ProxyExchange™);
- Customised alerts and reports;
- English translations of original source documents available online (where applicable);
- Competitive instruction deadlines;
- Proactive power of attorney management, including reminder issuance;
- Confirmation of vote status;
- Support from single point of contact and expert-to-expert customer service models, at the choice of the customer.

With the web portal (ProxyExchange™), customers have 24/7 access to all data around meetings.

Data protection

The agreement between Clearstream and ISS is based in Luxembourgish law. Transfer of customer data is performed, for Clearstream Banking SA customers, in compliance with Luxembourg data protection and banking secrecy requirements, and, for Clearstream Banking AG customers, in compliance with the Bundesdatenschutzgesetz (German Data Protection Act) and respecting the Bankgeheimnis (German banking secrecy).

In order to support handling of requests, ISS uses a specially built customer service application with IT infrastructure, including data storage on servers in the European Union. No customer data is routed via the U.S.A., nor can any data be accessed by any third party.

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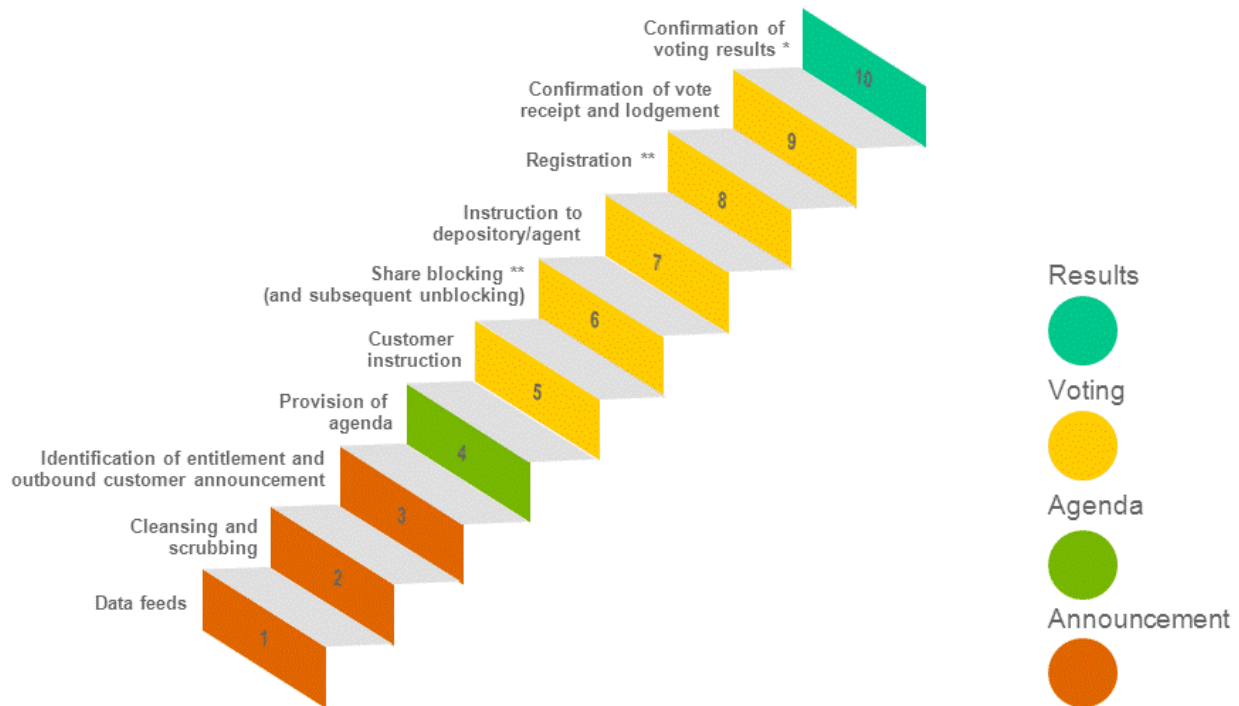
Benefits and features

- Quality and coverage
 - Clearstream's agent network, together with ISS procurement network, feed to generate the golden agenda.
 - The dedicated procurement network ensures the highest quality information available at the earliest opportunity for the customer.
 - Workflow management includes independent generation of predictable events and cross-checking of meeting information across all asset lines for eligibility.
 - Comprehensive coverage of all meeting types across the greatest number of asset classes, including Eurobonds and investment fund shares.
 - ISS further automates the process, benefiting the customer with more timely notifications and competitive deadlines.
- Service flexibility
 - Split and partial voting supported;
 - Standing instructions by market;
 - Power of Attorney management with reminder issuance;
 - Choice of eligibility by market and/or meeting type;
 - Choice of Customer Service expert at Clearstream or ISS (or both, as required on an ad-hoc basis).
- Connectivity
 - ISO 15022 and ISO 20022, complemented by an intuitive online platform, ProxyExchange™;
 - Customisable alerts and extensive reporting options;
 - Original source documentation available online;
 - From announcement to meeting results:
 - ⊗ Provided by ISS;
 - ⊗ Via ISS connectivity.

2. Product and service

Meeting life cycle

In general, a meeting life cycle comprises 10 major steps. This is a simplified version of the end to end process, not taking into account the possible nuances at market or issuer level:



* Where available in the market.

** Share blocking and registration requirements determined on a market by market basis.

- Where several data feeds are available, cleansing and scrubbing is performed. Subsequently, a notification of the meeting event is sent to all customers with a holding in the respective security; full agendas can be provided.
- Upon customer instruction, where the market or issuer mandates, the voted position is blocked (with unblocking generally processed one business day after the meeting). The instruction will be forwarded to the depository/agent for execution. Registration may be required in some markets as a prerequisite to participation in voting. If feedback from the depository, agent or issuer is received, a confirmation of vote receipt and lodgement can be provided.
- After the meeting and where available, voting results can be provided to the customer.

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Ballot creation

ISS receives holdings via file and matches these holdings against the upcoming meeting list that they maintain. In the event of a match, a ballot is created on ProxyExchange™ specific to each customer account holding recorded in the most recent holdings file. Subsequently, ISS distributes a ballot notification in the format agreed with the customer. Where applicable, the notification includes shares on loan and collateral positions (received and delivered collateral).

The ballot generation process runs in a continuous mode several times each day, using the most up-to-date holdings. Meeting notices to be sent via SWIFT are generated and sent automatically.

Meeting notification and agenda

Notification commences with a confirmed message as soon as the meeting agenda is available. In the event that key elements of the meeting notice change, a message with a function of REPL is sent with the previous message reference included.

Reminders are not sent to customers that have not yet instructed, although alerts for uninstructed ballots can be set on ProxyExchange™.

ISS can distribute meeting notices through several delivery channels and all meeting notifications and amendments are presented in English on ProxyExchange™ and via SWIFT.

Each notice displays the following details:

- Account number
- Account name
- Security Name
- Security ID
- Security Domicile
- Meeting Type
- Meeting Date
- Meeting Time (as available)
- Vote Response Due Date (Cut off Date)
- Market deadline (where published)
- Record Date (if applicable)
- Votable Share Position
- Shares on loan position (as supplied by CB in holdings file)
- Securities on collateral (as supplied by CB in holdings file)
- Agenda details
- Link to issuer web site (where available)

As available, copies of the original meeting agendas are made available to customers via ProxyExchange™. A customer can elect to view all their accounts on a consolidated basis.

In the event of a change in a customer's votable share position between the initial meeting notification as described above and one business day before the stated cut-off time, ISS does as follows:

- Where a customer's votable share position has been determined after the initial meeting notification, notify such customer of the upcoming meeting;
- Where a customer's votable share position has increased or decreased since the initial meeting notification, advise such customer of its new votable share position (applicable to ProxyExchange™ customers only.)

Vote decision

For each agenda item on the ballot, the customer has the option to:

- Vote For
- Vote Against
- Vote Abstain (if permitted in market)
- Vote Withhold (if permitted in market)
- Do Not Vote (= Take No Action)
- Vote With Management (if permitted in market)

In addition to transmitting vote instructions via ProxyExchange™, customers have the option to send their instructions via SWIFT in ISO 15022 or ISO 20022 format.

The customer or its voting agent is responsible for submitting voting instructions before the cut-off date set forth in the notice to the customer. Any instructions received by ISS after the customer vote instruction deadline will be notified to the depository or agent on a “best efforts” basis. As such, execution of the vote cannot be guaranteed.

ISS processes split vote instructions where permitted by market rules. The split voting functionality is integrated in ProxyExchange™.

Standing instructions

Customers can lodge standing vote instructions with ISS. ISS will cast votes based on such standing instructions where they apply to the resolutions proposed for a meeting. Customers will be able to override any standing instruction at any time up to the voting deadline. ISS will track for audit purposes, for all votes for all customers, which votes are instructed via standing instruction versus case-by-case instruction.

Standing instructions can be set by market, account groups, instruments and accounts.

Power of Attorney (PoA) for vote execution

ISS will track, for each holding voted by customers:

- PoA requirements by market;
- PoA current status and expiration date;
- Copy of PoA documentation.

Upon receipt of a completed PoA received from the customer, ISS performs the following administrative checks:

- PoA correctly dated;
- Customer name on the PoA matches supporting documents (for example, Trust Deed);
- PoA and any supporting documents are notarised and legalised in accordance with the market requirements;
- Signature matches any supporting documents and the signatory has printed his/her name;
- All supporting documents required by the market are supplied (for example, Certificate of Security, Certificate of Authenticity or Authorised signature list);
- (For Swedish PoAs) The person completing the COS has not also signed the PoA.

PoA documents passing these checks are forwarded to the appropriate depository or agent. ISS monitors PoA requirements and expirations and reports to Clearstream customers to ensure that PoAs are kept current and in force for all funds invested in PoA markets. PoAs approaching expiry will be advised to Clearstream and customers at least 30 days before expiry. ISS makes the POA status available on the ProxyExchange™ browser.

Note: As per cutover, any existing and valid PoA for vote execution is handed over from Clearstream to ISS for those customers that have subscribed to the service.

Enhanced Proxy Voting Service

Confirmation of vote submission

ISS confirms receipt of all vote decisions received by posting vote status in ProxyExchange™.

Customer vote instruction Deadline

The deadline for customers to submit vote instructions typically 14:00 U.S. Eastern Time one business day before the depository or agent deadline. In some cases, where exceptional processes or documentation requirements apply, the deadline may need to be set earlier.

Vote execution documentation

In the event of documentation being required to exercise a vote, ISS delivers electronic and/or hard copy of all necessary documentation directly to the customer in order to ensure correct execution of the vote.

Blocking and unblocking of securities

Where security blocking is required, because the market or the issuer so determines, the moment a vote instruction is sent by ISS to the depository or agent a blocking report is sent to Clearstream and positions are blocked accordingly. Unblocking reports are provided one business day after the meeting, with subsequent unblocking processed at Clearstream. Eurobonds are unblocked following confirmation from the issuer agent.

Physical attendance

Upon receipt of any request by the customer to attend a meeting, ISS contacts the depository or agent to establish the documentation requirements and provide all necessary information in order for the necessary documents to be prepared and sent to either the customer or the meeting, depending on the instruction.

Meeting results

In addition to meeting results received through Clearstream's agent network, as a general rule, ISS pro-actively sources meeting results in more than 110 markets. Soft-copy documents are attached to the relevant meeting on ProxyExchange™ for inspection by the customer.

SWIFT processing

The processing details for SWIFT are as follows:

- Ballot generation is timed exactly as via ProxyExchange™.
- Customer voting deadlines are the same as for ProxyExchange™.
- Meeting updates are the same as for ProxyExchange™ (for example, agenda changes, meeting date changes etc.).
- Accounts are set up and managed in ProxyExchange™.
- Service support options and methods are same as for ProxyExchange™:
 - For record date markets, SWIFT ballots are generated as per holdings at record date.
 - For non-record date markets, position changes before the customer voting deadline result in replacement SWIFT ballots being distributed. If customers have already voted via SWIFT, then replacement voting instructions are required, preceded by a cancellation instruction of the previous SWIFT.
 - If customers want to amend their vote instructions for any reason (for example, a change of policy or as result of a position change), they must cancel their original (or most recent) vote instruction via SWIFT and send a replacement SWIFT vote instruction before the customer voting deadline.
 - Late votes sent to ISS via SWIFT, including “last minute” vote cancellations, are processed by ISS on the same “best efforts” basis as applied to votes instructed via ProxyExchange™.

Service for customers that have outsourced their proxy processing

Customers that have outsourced their proxy voting processing to a third-party provider (proxy voting agent) will find a paragraph relating to this kind of outsourcing in the Appendix 1 of the subscription form.

Exchange of information is directly between the third-party provider (on the customer's behalf) and ISS (on Clearstream's behalf). SWIFT BIC key exchange are between the two providers.

ISS already provides proxy voting agents with access to ProxyExchange™. However, such providers typically prefer not to use ProxyExchange™ for voting and continue to use SWIFT messaging or file transfer.

Customers can benefit from accessing ProxyExchange™ from the customer site, even where an appointed proxy voting agent is receiving ballots and sending vote instructions to ISS. In this way, access is provided to full information and customised reporting.

ISS provides direct customer support to customers and/or their voting agents.

ISS Service Support

ISS provides direct customer support to customers and/or voting agents. Such support services include technical support for the performance of the service, including but not limited to application support for ProxyExchange™, agenda support and voting documentation support.

The customer service support is in the main provided in English with foreign language support available for customers or voting agents. Customer support is available on a 24-hour basis during business days. Customer enquiries are logged and timed; the target for resolving all customer enquiries is within one business day of receipt.

Direct support can be obtained from ISS Service Support by telephone or via email, as follows:

- Calling the local or regional ISS Service Centre;
- Emailing the ISS Proxy Service Portal (PSP).

Regardless of the method used to contact an ISS local or regional service centres, once a request is received, a Service Request Ticket (SRT) is raised in the PSP by the ISS Service Agent. All subsequent service activities are with reference to and recorded against the unique SRT number for that request.

In special circumstances, ISS Service Support outside normal support hours can be provided by prior arrangement with the local or regional service centres and multiple alternative languages may be covered.

Escalation procedures and contact details will be provided during the subscription process.

In order to allow the fastest response, customers should contact ISS Service Support directly with any queries about meeting events.

ProxyExchange™ Service

Service hours are normal business hours in all the global locations of ISS' operations. In addition, ISS provides extended business-day service hours from each of the service operations centres in Europe (Brussels, London), Asia Pacific (Manila) and the Americas (Rockville MD, U.S.A.) around the respective time zones, thereby providing real-time almost seamless 24-hour coverage from the start of the business week in Manila to the end of the business week in Rockville, U.S.A.

Service Support from Clearstream

Questions about billing topics should be addressed to Clearstream's Customer Service.

Enhanced Proxy Voting Service

3. Getting started

Documentation

Setup of the proxy voting service is easily accessed through signature of a single subscription form per customer. This form is accompanied by a contact detail sheet (Appendix 1) and the Terms of Use.

The customer subscribing for the Proxy Voting Service must provide an executed copy of the subscription form and an Appendix 1 with contact details and, where appropriate, details of an appointed attorney.

These documents are to be returned to Clearstream. After signature validation, they will be forwarded to ISS to receive key information for setup of the customer in ISS' proprietary system and the ProxyExchange™ user interface.

Completed documents should be sent as follows:

- For customers with an account at Clearstream Banking SA (CBL), to:
Clearstream Banking S.A.
Banking Operations
42, avenue JF Kennedy
L-1855 Luxembourg
Luxembourg
- For customers with an account at Clearstream Banking AG (CBF), to:
Clearstream Banking AG
CSC Account Administration
D-60485 Frankfurt
Deutschland

To obtain these documents or for further assistance, please go to the Clearstream website at www.clearstream.com or contact your Relationship Officer.

Customer setup

Upon receipt of complete customer and account data, ISS enters customer information in to its system and appoints a Service Support representative.

ISS creates and maintains, within the Geneva Data Centre, customer profiles, including contact information, access rights, user names and passwords to the ProxyExchange™ secure website.

Exchange of information between the customer and ISS

As per Appendix 1 of the subscription form, the customer is to decide the preferred means of communication to be used by ISS to handle customer enquiries. Options are: Email, telephone, letter or fax.

ISS conducts SWIFT key exchange or establishes other communication channels based on all agreed media with customers and Clearstream to facilitate the transmission of meeting notifications and voting instructions from customers or their designated voting authority.

ProxyExchange™

ProxyExchange™, the web-based portal provided and maintained by ISS, is used to manage profiles and schedule customised reports. It provides access, on a 24/7 basis, to a full range of detailed information about meetings:

- Ease of monitoring, reporting, audit trail;
- Monitoring of detailed vote status information (including vote confirmations and rejections);
- Monitoring of meeting results (where provided);
- Easy access to all meeting materials and company reports;
- Contingency measures to vote directly in the event of a SWIFT outage;

Note: In Direct to Registry situations (for example, with UK and some Australian/New Zealand issuers) ISS will use the voting entry method prescribed by each Registry.

ProxyExchange™ can be accessed at the customer site even where an appointed proxy voting agent is receiving SWIFT ballots and sending vote instructions to ISS via SWIFT.

ISS already provides proxy voting agents with access to ProxyExchange™; ballots are available within ProxyExchange™ for voting purposes. However, such providers typically prefer not to use ProxyExchange™ for voting and continue to use SWIFT messaging.

ProxyExchange™ is set up by default for every customer subscribed to the service.

Note: ProxyExchange™ enables the customer to customise the provision of the proxy voting services based on the countries where meetings will take place (and that may be different from the countries of the issue or of the issuer). For those countries de-selected by the customer ("opt-out countries"), no proxy voting services will be provided from the time of de-selection. As a consequence, no information or meeting notification will be communicated to the customer, either by ISS or by Clearstream.

User profiles

ProxyExchange™ has three preconfigured user types:

- Analyst - By default, not permitted to approve ballots. Customers may choose to allow an analyst to approve ballots or restrict his approval privileges to ballots where he is not the voter.
- Approver - By default, permitted to approve any ballots. Customers may restrict approval privileges to ballots where he is not the voter.
- Administrator - With full vote authority.

ISS distributes ProxyExchange™ information and login details to new customers but, for confirmation purposes, will refer to Clearstream all requests for account additions, amendments and/or deletions received directly from customers.

Note: Although ProxyExchange™ was designed to be easy to use for core functionalities, we advise customers to participate in training in order to benefit from its powerful features. Training sessions can be scheduled according to your needs and availability.

Holdings file

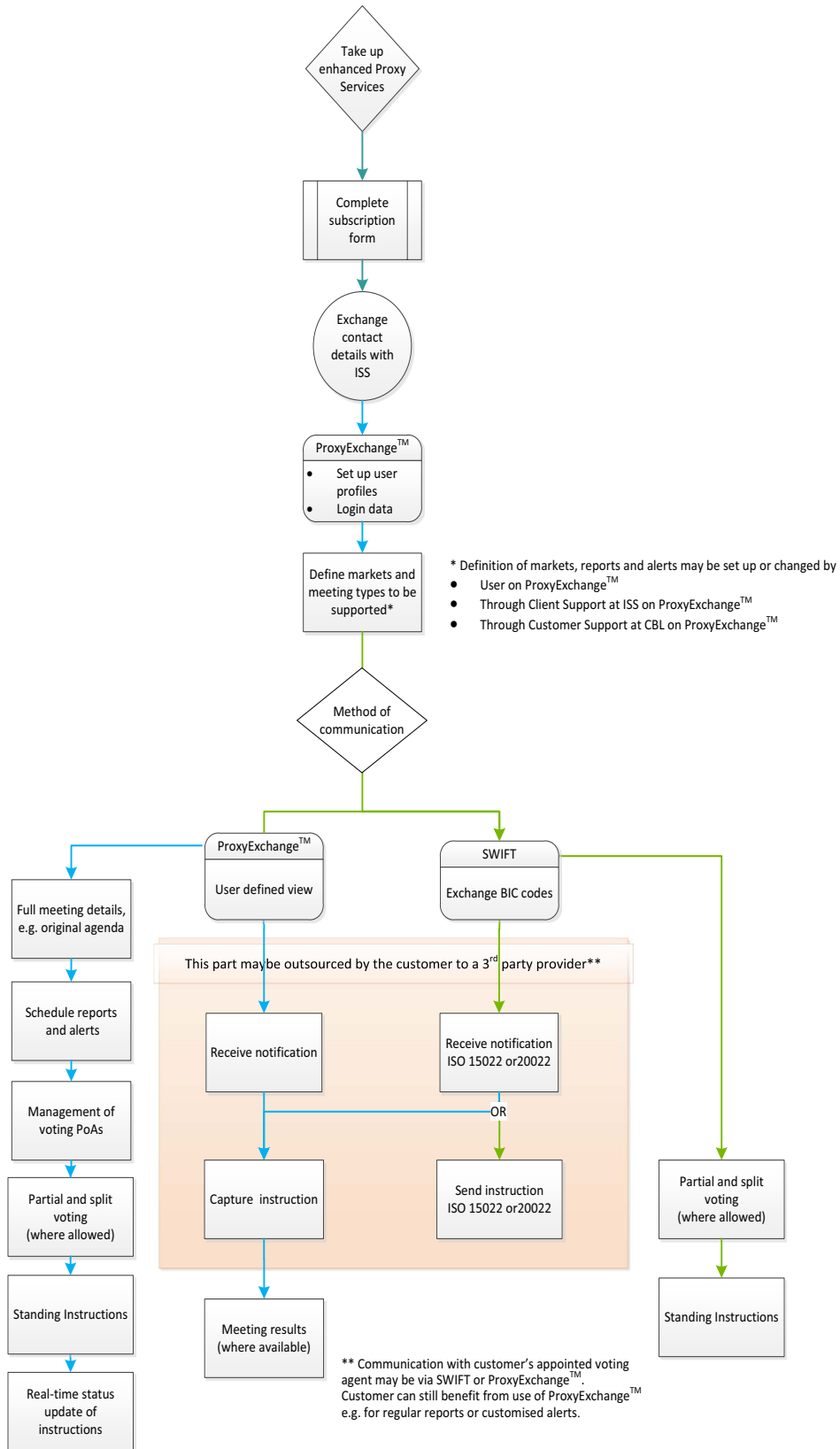
For those customers that have subscribed to the Proxy Voting Service, Clearstream sends (daily, at end of day) a holding file to ISS containing positions for all signed accounts. This enables ISS to immediately notify customers about events, as well as to adapt quickly to record date changes.

Process flow

This diagram shows the flow from decision to subscribe through to delivery of service.

Where a customer has outsourced his proxy voting processing to a voting agent, ISS will send notifications to, and accordingly receive vote instructions from, that agent.

Enhanced Proxy Voting Service



4. Billing

Proxy Voting Service fees

Proxy Voting Service fees apply to and cover the following:

- Account set up and maintenance;
- Notification;
- Agenda (translated to English by default);
- Additional documents;
- PoA maintenance;
- Vote instructions;
- Ordering of entrance cards;
- Meeting results (where available);
- Customised reporting and alerts.

Out of pocket expenses, such as attendance fees in some markets, may be passed through.

For further details, please contact your Clearstream Relationship Officer.

Fees reporting

Customers receive a monthly Statement of Fees, comprising a breakdown of all fees incurred across services, including Proxy Voting Services.

For further details about billing, please refer to the [Fee Schedule](#) on the Clearstream website at www.clearstream.com.

5. Unsubscribing from the service

On- and offboarding of the service takes place once a month.

Customers wanting to unsubscribe from the Enhanced Proxy Voting Service should contact their Relationship Officer in advance and allow a six weeks' notice period.

6. Contact details

The daily administration and operational aspects of Clearstream Banking's core services are handled by a dedicated Customer Service team, who provide directly available assistance.

Customers who are interested in further information about the Proxy Voting Services should contact their dedicated Relationship Officer.

Contact details from ISS, such as the dedicated Service Agent, will be provided with the subscription.

For further details, please also visit the ISS website at www.issgovernance.com.

7. Glossary

Ballot Generation

The process that matches holdings with meeting information to create a voting entitlement (ballot).

Clearstream Banking account

An account opened in Clearstream Banking SA (CBL) or Clearstream Banking AG (CBF).

End of day (EOD)

18:30 CET for CBF / 19:30 CET for CBL. End of day reports incorporate the final activity for a particular value date. Any activity after end of day is considered for the next value date.

Notification

Notification of a meeting event as soon as ballots are created.

PoA

Power of Attorney.

PoA for Vote Execution

An appropriate PoA, granted by the Beneficial or Registered Owner and lodged with an agent, custodian or depository, which is required to be in-place before any proxy voting instruction, for issuer meetings, sent by ISS, on behalf of the underlying customer of Clearstream Banking, can be accepted for onward processing in the local market, lodgement with the appointed depository or the vote tabulator or any other intermediary acting on behalf of the issuer.

Such PoAs will typically be created in advance (some can be done in advance such as Denmark - yearly PoA, some are meeting-specific - for these ISS inform customers in the notification about all necessary POAs and if the POA is meeting-specific, ISS handles all necessary documentation with the customer and with the depository as soon as they receive the instruction, utilised at the following levels:

- Market

A recognised PoA Market (for example, Denmark or Sweden). Typically valid for a prescribed period, depending on the market (for example, Brazil - 1 year, Argentina - 99 years). There are 23 known markets where this type of PoA may be required.

- Agent

Where an Agent specifies the need for a PoA due to local requirements, custom or practice (for example, Belgium). Validity periods can vary between agents.

- Meeting

Where issuers, either routinely or exceptionally, require a PoA from the beneficial or registered owner of the stock in order to accept a vote instruction by proxy for a specific meeting. Such PoAs are only valid for one meeting (for example, Slovenia - where unique PoAs are required for every meeting). Meeting level PoAs may be required in both PoA and non-PoA markets.

ProxyExchange™

A web-based application provided by ISS. ProxyExchange™ users can perform and manage activities, define reports, customise alerts and find complete information about meeting events.

Contact

www.clearstream.com

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