Voting Guidelines 2025

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Introduction

Stewardship and Responsible Investment is at the heart of everything we do at Royal London Asset Management.

We are dedicated to encouraging long-term wealth creation within the companies we invest, for the benefit of both the shareholders and the company. Corporate governance is of central importance in creating and protecting shareholder value and we believe it is our responsibility to act as owners of the companies in which we invest. We do this through company engagement and the use of voting rights.

Royal London takes a robust and bespoke approach to voting. Our efforts are coordinated by our Responsible Investment team, made up of specialists and subject matter experts on sustainability and ESG issues. They work closely with investment teams to help analyse key issues, integrate ESG factors into investment processes, consult on voting, and collaborate to encourage companies to improve performance. Our fund managers are notified of all final voting decisions before they are dispatched and can raise questions or challenges.

The managers of Royal London Asset Management's fixed income funds also vote in respect of issues that affect bond holdings. We exercise these rights in the best interests of our clients and instruct our custodian to vote on our behalf. Royal London Asset Management does not, however, typically use a proxy voting service to execute bondholder votes.

Integrating ESG may not apply to any specific Royal London Asset Management fund or strategy, as each will have different investment objectives. Please check your prospectus for details on specific product objectives.

Voting Guidelines

The following guidelines set out Royal London Asset Management's approach to voting in UK and non-UK markets. In applying these guidelines, we will take account of local governance codes and best local-market practice and will apply our discretion, having due regard for the circumstances of the investee company in question. Royal London Asset Management seeks to support the Board of a company that acts in the long-term interests of shareholders and other stakeholders.

In general, Royal London Asset Management will vote as follows:

For

- A resolution that is consistent with these guidelines, accords with best practice and is in shareholders' best long-term interests.

Abstain

- A resolution that falls short of best practice but the issue is not sufficiently material to oppose management.
- A matter is material, although not fundamental, and Royal London Asset Management has not previously raised the matter with the investee company.
- As a means of warning the company or drawing attention to an issue.

Against

- A resolution is inconsistent with these guidelines, does not accord with best practice or is not in shareholders' long-term interests.
- A resolution on which we have previously abstained where we have reason to believe that our concerns have not been addressed by the Board.

1 The Board of Directors

1.1 Role of the Board

The Board of Directors must act to promote the long-term sustainable success of a company, generating value for shareholders while contributing to wider society. Boards are accountable to their shareholders and should ensure that there is open and effective communication with them.

1.2 Meeting Frequency

There should be an adequate number of Board meetings for the proper management of the company.

Royal London Asset Management regards six Board meetings in any one year as a minimum.

We expect Investment Trusts to hold at least three Board meetings a year.

> Royal London Asset Management may vote against the Chair of the Board should there be concerns over the number of times the Board, or an Investment Trust, meet in a year.

1.3 Board Size

Boards should be large enough for meaningful debate, but not so large that they become unwieldy and ineffective. Royal London Asset Management expects a minimum Board membership of three.

> Royal London Asset Management may vote against the Chair of the Board or Chair of the Nomination Committee if there are concerns around the size of the Board. This would typically be in circumstances where there are less than five or more than fifteen directors (or, in the case of Supervisory Boards, more than twenty directors).

> Royal London Asset Management will support requests for shareholder approval to change or limit the size of a Board where accompanied by a compelling rationale.

1.4 Meeting Attendance

Royal London Asset Management considers attendance at Board and Board Committee meetings to be a fundamental requirement, with any absence supported by a reasonable rationale. Attendance – and non-attendance – at Board and Board Committee meetings should be publicly reported.

> In addition to voting against the individual director in question, Royal London Asset Management may vote against the Chair of the Board or the Chair of the Nomination Committee if it has material concerns in respect of Board attendance.

1.5 Board and Board Committee Independence

In determining whether we consider a director to be independent, Royal London Asset Management will consider local best practice.

In the UK, we consider provision 10 of the UK Corporate Governance Code (circumstances which may impair non-executive director independence) as setting the applicable standards but we do regard the factors that it describes as relevant across all markets. Royal London Asset Management will also give consideration to:

- previous employment at the company,
- material financial, familial or other relationship(s) with the company,
- any compensation explicitly intended to incentivise company performance (such as stock options),
- cross-directorships,
- significant shareholding, and / or
- excessive tenure.

> Royal London Asset Management will vote against the election of non-executive directors who we do not consider independent if there is insufficient overall independence on the Board (unless an appropriate rationale is provided by the company).

> In the UK and Europe, Royal London Asset Management will vote against the Chair of the Board if they were not independent on appointment (absent an appropriate rationale).

While Board structures can vary across markets, there are fundamental principles around the meaningful representation of both executive and non-executive directors, with all directors being free from conflicts of interest, that we believe should be adhered to.

Royal London Asset Management looks for our investee companies to apply high standards of corporate governance. Typically, the minimum standard we would consider as compliant with the principles of good corporate governance is for a majority of the Board to be independent and for Audit and Remuneration Committees (where they exist) to be fully independent. In most markets outside the UK and Europe, one third Board independence will generally be sufficient and, in some developing markets, a Remuneration Committee made up of half independent non-executives may be considered acceptable.

Royal London Asset Management considers it is desirable for issues related to business ethics, health and safety, environment, corporate responsibility, sustainable development and corporate governance to be delegated to Committees for consideration, particularly for companies with greater exposure to environmental and social risks. We expect any such Committee, or Committees, to include independent directors with relevant expertise.

> Royal London Asset Management will usually vote against the election of non-independent directors to a unitary Board structure that does not have a majority of independent directors.

In the case of two-tier Boards, Royal London Asset Management will usually vote against the election of non-independent directors if the Supervisory Board is not majority independent.

Royal London Asset Management will usually vote against the election of non-independent affiliated directors to a Board where the controlling shareholder / family (or their representatives) are considered, by Royal London Asset Management, to hold a disproportionate number of Board seats relative to their shareholding.

UK

In general, for UK companies, Royal London Asset Management considers that at a majority of the Board should be independent. We acknowledge that smaller companies (i.e. below FTSE 350) may have difficulty in meeting this standard so, where this is the case, for Royal London Asset Management to be supportive of the Board, we require a compelling rationale as to why they cannot do so. For AIM Companies (which tend to be smaller still), our expectation is that, as a minimum, there will be two independent and unaffiliated directors on the Board.

Our expectation is that Audit and Remuneration Committees should be wholly comprised of independent directors in the UK and be comprised of at least three members (or two for a smaller company).

The assessment of risk and a company's overall approach to risk management should be a matter for the whole Board. Where a separate Risk Committee, or combined Audit and Risk Committee, has been established with the purpose of providing advice to the Board or carrying out certain activities on the Board's behalf, Royal London Asset Management's view is that that Risk Committee should be fully independent.

Royal London Asset Management will usually vote against non-independent members of Audit, Risk and Remuneration Committees although, for smaller companies where sufficient rationale is provided, we may support Committees which are two thirds independent.

Royal London Asset Management will vote against non-independent members of the Nomination Committee should the Committee not be majority independent.

USA & Canada

With typically high levels of Board membership and greater average levels of independence, we generally expect at least two-thirds of directors to be independent.

Royal London Asset Management will generally vote against any non-independent, non-executive director where this is not the case.

We allow for exceptions to our general position for those companies where a founder, insider or external shareholder holds a controlling interest in the company (known as 'controlled companies') in that a simple independent majority is considered sufficient.

Royal London Asset Management will generally vote against any non-independent director where this standard is not met.

Japan

Three different Board structures are permitted in Japan, with a requirement for an 'outsider' to be present on the Board. Royal London Asset Management considers there to be a distinction between an 'affiliated' outsider and an 'independent' outsider. Expectations on Board independence vary slightly depending on which structure is adopted.

Where Royal London Asset Management's expectations are not met, as well as voting against the affiliated outsider in question, Royal London Asset Management may also vote against the highest-ranking member of the Nomination Committee, and / or the CEO and / or Chair of the Board.

For Statutory Audit Boards (Kansayaku) and alternate statutory auditors, at least one-third of the Board should be comprised of independent outsiders and a majority of the members of the Kansayaku should be independent.

For companies adopting a US-style Unitary Board, a majority of the Board members should be independent with an independent majority on the Audit, Nomination and Compensation Committees.

For Audit Committee Boards, at least one-third of the Board should be comprised of independent outsiders with a majority of the members, including the Chair, of the Audit Committee being independent.

Europe

Board structures in Europe can be one or two tier. We look for Boards (or Supervisory Boards where a two-tier structure is in place) to be majority independent. While Royal London Asset Management will generally vote against non-independent directors where this threshold is not met, we will be cognisant of local regulations and market norms in our determination as to whether we are satisfied with the practices adopted by investee companies.

Where a Supervisory Board includes employee representatives (German markets being one such example), we will consider these employee representatives as 'affiliated' / 'non-independent' when assessing whether a Board is sufficiently independent.

Audit and Remuneration Committees should be fully independent.

Royal London Asset Management will vote against any non-independent members of Audit and Remuneration Committees.

In France, the practice of appointing Censors - consultant advisors - to the Board has emerged. Censors are not included in the company's independence calculations and do not have the ability to vote on Board matters but, given their status, do have the potential for significant influence in the Boardroom without being subject to the same duties and oversight as directors.

Royal London Asset Management will generally oppose the appointment of Censors in France unless a compelling rationale for their appointment is provided and a limit on their tenure specified.

China / Taiwan / Hong Kong

Two Board structures are permitted in China and Taiwan: one with a Board of Directors and the other with a Board of Supervisors. For both structures we expect at least one-third independence. Supervisors are often representatives of shareholders and employees, and, in mainland China, will often include representatives of the Communist Party who are not subject to a shareholder vote.

Royal London Asset Management will vote against non-independent non-executive Directors when the Board of Directors and / or the Board of Supervisors are less than one-third independent.

In Hong Kong, a single Board structure with a Nomination, Remuneration and Audit Committee is more prevalent. At least one third of the Board, the majority of the directors on the Nomination and Remuneration Committees, and all directors on the Audit Committee should be non-executive and independent.

Royal London Asset Management will vote against any non-independent directors sitting on the Audit, Remuneration and Nomination Committees where the independence requirements outlined are not met.

For dual China-Hong Kong listed companies using the two-tier Board structure, at least one third of the Board of Directors and, where applicable, one third of the Board of Supervisors should be independent.

Royal London Asset Management will vote against directors and supervisors where this independence threshold is not met.

Malaysia / Singapore / Thailand / India

In these markets, Boards follow a one tier structure, comprised of executives, non-executives and independent directors.

If the Board has an independent Chair, Royal London Asset Management will typically vote against non-independent, non-executive directors where the Board is less one-third independent.

If the Chair is not independent, we expect the Board to be majority independent and will exercise our vote against accordingly.

Royal London Asset Management will vote against non-independent directors sitting on the Audit Committee (including executives).

Royal London Asset Management will vote against executive directors serving on the Remuneration Committee and any non-independent directors where that Committee is not majority independent.

Royal London Asset Management will vote against non-independent, non-executive directors sitting on the Nomination Committee where that Committee is not majority independent.

Indonesia

Where Boards have more than two members, Royal London Asset Management will vote against non-independent, non-executive Directors where the Board is less than one-third independent. If there are only two Board members, one of them should be independent.

In Indonesia, we expect the Audit Committee to be fully independent, the Remuneration Committee to be majority independent (with no executive directors serving) and the Nomination Committee to be majority independent.

Royal London Asset Management will vote against non-independent directors where these requirements in respect of the Audit, Remuneration and Nomination Committees are not met.

Brazil

Brazil operates a two-tier Board structure, with a Board of Directors and a Management Board whose members are elected by the directors.

Royal London Asset Management will generally vote against non-independent, non-executive directors where a controlled company Board is less than one-third independent or where a non-controlled company Board is not majority independent.

Royal London Asset Management will vote against non-independent directors sitting on the Audit Committee (where one has been established) and non-independent directors where the Remuneration and Nomination Committees are not majority independent.

Local law permits the establishment of a Supervisory Council with an advisory role. Non-executives, executive directors, or employees of the company can serve on this Council.

Royal London Asset Management will generally support the appointment of independent directors to the Supervisory Council but will vote against an appointment to the Supervisory Council should there be insufficient information disclosed on the director or if the Supervisory Council is not majority independent.

Latin America (Excluding Brazil)

In Chile and Mexico, public companies are largely controlled, with substantial influence from a small number of wealthy families, the government or the military. Peruvian companies have a two-tier structure comprising of a Board of Directors and a Management Board, elected by the directors. In Chile, Colombia and Mexico a one-tier Board structure is adopted.

Due to the predominance of controlled companies, we generally believe that Boards in these markets should be at least one-third independent. In the case of non-controlled companies though, Royal London Asset Management will consider it acceptable if half the Board is independent.

Royal London Asset Management will vote against non-independent directors where the Board does not meet these local requirements.

All markets other than Peru require the establishment of an Audit Committee, which we believe should be comprised of solely independent directors.

Royal London Asset Management will vote against non-independent directors sitting on the Audit Committee.

Royal London Asset Management will vote against non-independent directors where the Remuneration and Nomination Committees are not majority independent.

Middle East And North Africa

In MENA markets, the majority of the Board should be non-executive and one-third of directors should be independent.

Royal London Asset Management will vote against non-independent, non-executive directors where the Board is comprised of less than one-third independent directors.

We expect only non-executive directors to serve on Audit and Remuneration Committees, and that local market guidance be followed in terms of independence requirements (for example, in Saudi Arabia, all Committees must be comprised of non-executives).

Royal London Asset Management will vote against non-independent directors sitting on the Audit Committee, including executives, and will vote against non-independent directors where the Remuneration and Nomination Committees are not majority independent.

South Korea

Korean companies are required to adopt either a one or two-tier board structure, depending on their market cap.

We expect smaller companies to have at least two independent directors representing one-third of the Board.

Royal London Asset Management will vote against the election of any non-independent director if the Board is not at least one third independent.

For large companies, we expect at least three directors, or a majority of the Board, to be independent.

Royal London Asset Management will generally vote against the election of any non-independent director if the Board is not majority independent (or meets the three independent director threshold).

Royal London Asset Management will vote against non-independent nominees sitting on the Audit or Remuneration Committees.

Royal London Asset Management will vote against non-independent directors where the Nomination Committee is not majority independent.

2 The Company Secretary

The role of the Company Secretary is to provide impartial advice and assistance to the Board as well as ensuring that an organisation complies with all financial and legal requirements. We view the role as integral to the proper functioning of the Board and the maintenance of high corporate governance standards.

We generally do not support the combination of the role of Company Secretary with any other executive position. Where a company has chosen to combine the role with another executive position, we expect companies to obtain external corporate governance advice, disclosing to shareholders the nature of this advice and the measures that have been taken to ensure conflicts are monitored and managed.

Royal London Asset Management will abstain in the first instance, and potentially escalate to a vote against, on the re-election of an executive director if that director also holds the role of Company Secretary unless a compelling rationale is provided for the combination of the roles and assurance given that appropriate safeguards are in place.

3 Director Capacity / Overboarding

Board members must have enough time to discharge their role properly, including by maintaining capacity to deal with any emerging issues.

Royal London Asset Management will apply local best practice guidelines when assessing the appropriate number of directorships held by an individual. We generally consider executive positions to be full time but will take into account the size and complexity of the relevant businesses.

Generally, Royal London Asset Management will consider a director to be 'overboarded' if, as non-executives, they serve on more than five Boards – depending on the complexities of the roles in question – or, as executives, they have more than one outside non-executive role.

Royal London Asset Management will normally vote against the re-election of a non-executive director if we consider them to be 'overboarded' or their time commitments to be of concern.

4 Director Tenure and Re-Elections

Directors nominated for election or re-election should be assessed in the context of the Board as a whole. Royal London Asset Management will generally oppose those directors whose tenure exceeds best practice / laws in their local markets.

Our preference is for all directors to stand for election every year, for companies to adopt majority voting standards, and for any director who has not received the requisite supporting votes to immediately step down (in the absence of a compelling rationale to shareholders). We acknowledge that standard practice may differ across markets.

Royal London Asset Management will vote in favour of proposals calling for annual director elections.

Where a director has failed to achieve majority support in the previous year and has not stepped down, Royal London Asset Management will vote against that director and against the Chair of the Governance Committee or Board Chair.

Royal London Asset Management will generally oppose those directors whose tenure exceeds best practice / laws in their local markets.

UK

In the UK, in keeping with the UK Corporate Governance Code, when a non-executive director's tenure exceeds nine years, their ability to be considered 'independent' is impaired. We expect non-executive directors to stand down after serving nine years or the company to provide a rationale for their continued presence on the Board.

Royal London Asset Management will normally vote against any director whose term exceeds nine years, should the Board not be majority independent.

USA & Canada

In the USA and Canada, director tenure limits are not expressly outlined but mandatory retirement provisions are still in operation for when directors reach a certain age. When voting, Royal London Asset Management will not consider age to be the sole factor for retirement but will have regard to the overall average level of tenure on the Board and the Board's succession plans.

Royal London Asset Management will typically vote against the re-election of the longest-serving non-executive director where overall Board tenure is considered to be excessive.

We expect companies in North America to move away from staggered (where directors can be elected for extended periods on a rotational basis) and plurality (where, provided the number of nominees is the same as Board seats, a single vote is sufficient for re-election) approaches to electing directors.

Where a company does use a plurality approach to electing directors, Royal London Asset Management will use a 'withhold' vote to express its opposition to a director (as a vote 'against' is not a valid option).

Reasonable notice should be given when proposing director nominations and providing the necessary disclosures. We consider 30 days' notice prior to the AGM and 15 days prior to a special meeting to be 'reasonable'.

Royal London Asset Management will oppose 'advanced notice requirements' in the USA & Canada which set out unreasonable time limits for proposing director nominations and providing the necessary disclosures.

Europe

Where dealing with a European market in which annual re-election of directors is not yet standard practice, Royal London Asset Management will vote against term lengths greater than three years or where the company has not committed to a deadline for the implementation of annual elections.

In markets where the practice of bundled director elections continues (bundled elections being where shareholders are only granted one vote on whether a group of directors should be elected) Royal London Asset Management will not support the resolution where we consider a single director warrants a 'vote against'.

Royal London Asset Management will vote against bundled elections if we have concerns with one or more individual directors up for (re-)election.

In Italian 'Slate' elections, two competing lists of directors are proposed to shareholders to choose from (either by management, a major shareholder or by the representative association of the Italian investment management industry (Assogestioni)). The directors on the slate that secures the majority of votes will be elected to the board together with a candidate from the minority slate.

Royal London Asset Management will generally be supportive of the Assogestioni sponsored slate director elections in Italy.

China / Hong Kong / Taiwan

In Taiwan, directors are normally elected via a cumulative voting mechanism, but a candidate nominee system may also apply (where shareholders are asked to elect a select number of candidates from a pool of nominees). While Royal London Asset Management will review elections on a case-by-case basis, we will generally apply votes equally between eligible directors.

In Hong Kong, directors are generally put to a shareholder vote on a rotating basis every three years.

Malaysia/ Singapore / Thailand / India

Staggered (or 'classified') Board elections are common in these markets, with directors submitted to a shareholder vote once every three years.

Under Singaporean code, tenure limits for independent directors have been set at nine years, after which a director is no longer defined as independent.

Royal London Asset Management will oppose director tenure beyond nine years.

In India, tenure guidelines are currently set at ten years.

Royal London Asset Management will oppose director tenure beyond ten years.

Middle East & North Africa

Staggered (or 'classified') Board elections are common in these markets, with Board terms typically three to four years with directors submitted to a vote on a rolling basis.

Cumulative voting is being adopted across the region (whereby the number of shareholder votes is multiplied by the number of directors, with shareholders then able to allocate their votes across one or all nominees). Royal London Asset Management will generally allocate votes equally among the nominees. For controlled companies where we have concerns, we may concentrate our votes across the independent candidates.

Some MENA markets will have director elections by slate. In these instances where we have a significant concern against one nominee, Royal London Asset Management will vote against the entire slate.

Latin America

In markets where cumulative voting is present (votes are multiplied by the number of directors, with shareholders distributing their votes to their chosen director nominees), Royal London Asset Management will distribute votes between the independent nominees to the Board.

Where majority or plurality elections are present, Royal London Asset Management will vote against / withhold on any non-independent directors if local independence requirements have not been met.

5 Proxy Access

While infrequently used and specific to the USA and Canada, Royal London Asset Management considers proxy access (a process giving shareholders the ability to nominate a director to the Board), an important shareholder right that we are generally supportive of.

6 Proxy Contests

Our preference is for the use of 'universal' proxy cards (which allow investors to choose their preferred nominee-directors from both the management and opposition nominees) rather than the use of opposing proxy cards (whereby shareholders must choose between two opposing lists), but we recognise the latter is current practice in certain markets.

When voting on a proxy contest, Royal London Asset Management will consider the background and experience of the nominee-directors and base our voting decision on what we believe to be in the best long-term interests of all stakeholders.

Royal London Asset Management will evaluate all proxy contests and contested elections on a case-by-case basis.

7 Senior Independent Directors

Royal London considers the role of the Senior Independent Director (SID) or Lead Director (or their equivalent in other markets) an important one. While a Chair, who is not an executive director, represents the usual channel of communication between shareholders and the Board, the SID (or their equivalent) can also be an important link between shareholders and the Board, particularly where the Chair is conflicted or is unable to resolve a particular issue.

The SID, or Lead Director, must be demonstrably independent.

Royal London Asset Management will not support the re-election of a person identified as the SID, or an equivalent, whom it does not consider to be independent.

If a SID, or an equivalent, has not been appointed, Royal London Asset Management may oppose the re-election of the Chair of the Nomination Committee.

8 Chair and Chief Executive

Royal London Asset Management will generally not support the combination of the roles of Chair and Chief Executive. We believe that separate positions avoid the concentration of power in one individual.

In markets where a combination of the roles is permitted, our preference remains for the Chair of the Board to be independent. In the UK the Chair should be independent on appointment.

Where the positions of Chair and Chief Executive are combined, Royal London Asset Management expects companies to engage with shareholders and provide clear disclosure in their annual report. Where exceptional circumstances for the combination exist, for example if the role is temporary or transitional, or where there are mitigating factors, such as a strong independent Senior Independent Director / Lead Director to ensure there is effective and robust independent oversight, this should be clearly explained so Royal London Asset Management can take that into account in making a final voting decision.

Royal London Asset Management will usually vote against the Chair of the Board if they are not independent, noting that in the UK, the Chair should be independent on appointment.

Royal London Asset Management will generally vote against CEO / Chair roles where these roles are combined. However, we are prepared to consider mitigating circumstances.

USA & Canada

In the USA and Canada, Royal London Asset Management will vote 'withhold' where there is no option to vote 'against' a combined CEO / Chair.

9 Succession Planning

Succession planning for the Board and senior management is vital to safeguard long-term value for an organisation. The Chair of the Board (or Nomination Committee) should exercise appropriate oversight of a company's activities in creating diverse pipelines of candidates from within the organisation for executive roles, with appropriate consideration given to promoting diversity and inclusion.

Royal London Asset Management may express its concerns regarding succession planning by voting against the Chair of the Board.

10 Board Diversity

Royal London Asset Management believes in merit: it is essential that non-executive and executive director candidates are chosen on the basis of their overall competence and ability to effectively enhance the performance of the company. We also believe that securing cognitive diversity among Board members, through diversity of thought, opinion, gender, ethnicity, age, background, skills, experience and knowledge is essential for optimal decision-making.

Royal London Asset Management may abstain or vote against the re-election of the Chair of the Board or Chair of the Nomination Committee where Royal London Asset Management has identified instances that Board and workforce diversity is being, in our opinion, inadequately addressed.

Royal London Asset Management will vote against the re-election of individual directors or the Chair of the Nomination Committee or Chair of the Board if there are major concerns about director suitability, skills or experience.

Adequate biographical information on directors (or nominee directors) should be provided to shareholders to allow informed assessments to be made on Board diversity. This should include qualifications and experience, age, gender, term of office, date of first appointment, level of independence and other personal and professional commitments that may impact on the quality of their contribution and independence, including disclosure of other directorships.

As a minimum, companies should comply with the specific legal diversity requirements in their operating markets, but our expectation is the active pursuit of local best practice.

Royal London Asset Management may abstain or vote against the Chair of the Board or Chair of the Nomination Committee if the company does not have sufficient gender diversity on the Board, as required by the applicable legal requirements of the local market or best practice.

UK

Royal London Asset Management will abstain or vote against the re-election of the Chair of the Board, or the Chair of the Nomination Committee, should the Board not have at least 33% gender diversity and a disclosed intention to attain 40% gender diversity, with at least one senior board position held by a woman by 2025 (absent a compelling rationale).

Royal London Asset Management may abstain or vote against the Chair of the Board or the Chair of the Nomination Committee should Board membership not include at least one person from a minority ethnic background (absent a compelling rationale).

USA & Canada

Royal London Asset Management will abstain or vote against the Nomination Committee Chair at companies in the Russell 1000 who do not have at least one person from a minority ethnic background on the Board.

Royal London Asset Management will vote against the Nomination Committee Chair if a company from the Russell 3000 index or TSX does not have at least a 30% gender diverse Board.

Royal London Asset Management will vote against the Nomination Committee Chair if a company outside the Russell 3000 index does not have at least two gender diverse directors.

Royal London Asset Management may also consider voting against the Nomination Committee Chair should the company not have adopted a policy requiring women and minorities to be included in any new executive-level recruitment.

Japan

Royal London Asset Management is likely to vote against the Chair (or the most senior executive) of an Audit Committee Board or a Statutory Audit Board, and against the Nomination Committee Chair of a US-style Unitary Board of a company listed on the first and second section of the Tokyo stock exchange, should the Board not include at least two female directors.

Australia

Royal London Asset Management will vote against the Nomination Committee Chair if the company does not have sufficient gender diversity on the Board, which should equal at least one female director at ASX300 companies with boards of up to five directors, or at least two female directors at ASX300 companies with boards of six or more directors.

Malaysia / Singapore / Thailand / India

Royal London Asset Management will vote against the Chair of the Nomination Committee if the Board does not include at least one female director. In Malaysia, we will vote against the Chair of the Nomination Committee if gender diversity is not at 30% in line with local regulation.

China / Hong Kong / Taiwan / Indonesia / Brazil / Latin America (Excluding Brazil) / Middle East And North Africa / South Korea

Royal London Asset Management will vote against the Chair of the Nomination Committee if the Board does not include at least one female director.

11 Workplace Engagement

Boards must understand and address the corporate culture and needs of the workforce as a whole. Corporate culture should promote respect for one another and encourage ethical behaviour and integrity.

The UK Corporate Governance Code provides companies in the UK with three options for formalising their approach to workforce engagement. Companies should adopt the approach that is most relevant to them and their workforce. Royal London Asset Management will look for companies to clearly explain the rationale for their chosen method and to disclose activities undertaken during the year to ensure that employees' voices are being heard.

UK

Royal London Asset Management will consider voting against the Chair of the Board or the director responsible for workforce engagement if we consider inadequate steps have been taken to engage with the workforce, or where there are serious concerns with employee engagement during the year.

12 Remuneration

Executive remuneration should be designed in such a way as to promote the long-term success of a company. Royal London Asset Management looks for companies to develop fair, robust, transparent, and straightforward pay practices which attract the best people, reward outstanding long-term performance, mitigate excessive risk taking and provide clear alignment with long-term value creation for shareholders.

Royal London Asset Management is not opposed to high levels of executive pay, provided they are warranted and can be linked to exceptional performance. We recognise that compensation in some markets, the US for example, can be markedly higher than in other markets.

It is the responsibility of Remuneration Committees (or the equivalent) to ensure that remuneration is tailored to work for the specific circumstances of that company, with awards that are competitive, proportionate and which are tied directly to the performance of the company.

When assessing remuneration, Royal London Asset Management will consider whether:

- it is aligned with long-term value creation and the best interests of the company and its stakeholders.
- there is a high degree of transparency around incentives and performance conditions.
- the overall package is appropriate (relative to the particular circumstances of the company) in its design, potential and outcome.

Where Royal London Asset Management has significant concerns about remuneration practices, Royal London Asset Management may consider voting against the re-election of the Chair of the Remuneration Committee or against all members of that Committee.

UK

Shareholders at UK companies may express their views on remuneration through two separate votes: a binding vote on Remuneration Policy and an advisory vote on the Remuneration Report.

A Remuneration Policy vote is required every three years or sooner if material changes are made to the Remuneration Policy.

The advisory vote on the Remuneration Report will occur every year regarding the retrospective remuneration in the year under review.

In line with the UK Corporate Governance Code, we expect companies to demonstrate a link between executive pay and that of the wider workforce, with the views and experiences of employees factored into any decisions.

Royal London Asset Management may vote against Remuneration Policies or Remuneration Reports that are overly complex or disconnected from the workforce experience.

Royal London Asset Management supports equal pay for the same responsibilities and believes that companies should take action to reduce or eliminate any pay differences that may exist.

Royal London Asset Management is supportive of companies paying their UK workforce a living wage (or pay packages of equivalent value). We do not expect adoption to be at the detriment of existing staff benefits or to result in a worse position overall.

Royal London Asset Management supports the pay ratio regulations that require UK listed companies with more than 250 employees to disclose annually the ratio of their CEO's pay to the median, lower quartile, and upper quartile of their UK employees. We will take these into consideration when voting as a way of identifying any problematic trends against a company's previously reported figures.

USA & Canada

There is no binding remuneration policy vote on compensation in the USA. In addition to the advisory Compensation Report votes, shareholders at US companies can also vote on the frequency at which companies put their Compensation Report to a shareholder vote; either every one, two or three years. Such votes are also advisory.

Royal London Asset Management is supportive of holding say on pay votes annually in the US.

12.1 Remuneration Policy

Companies should determine the type of long-term pay model that suits their business best.

Royal London Asset Management will support Remuneration Policies that incentivise directors by relating pay to long-term value creation. We encourage companies to adopt Remuneration Policies tailored to their strategy and business model and that incorporate material environmental, social and sustainability-related performance measures. When setting their approach to remuneration, companies should consider their impact, both positive and negative, on their stakeholders including employees, suppliers and customers. We expect Remuneration Committees to exercise their discretion.

While we generally encourage the use of straightforward incentive schemes that can be easily understood by shareholders, employees and executives alike, we are not opposed to alternative pay structures (such as restricted shares or long-term deferred bonus schemes), provided the structure is justified and properly explained. In assessing such schemes, Royal London Asset Management will be cognisant of differences in market practice in this regard (in the USA and Canada for example, pay schemes are typically comprised of a combination of performance share, stock options and restricted stock units) and will consider them on a case-by-case basis.

Royal London Asset Management does not support incentivised pay for non-executive directors. We believe that these Board members should be in receipt of fixed fees only, with their fee reflecting duties undertaken and complexity of their responsibilities. When looking at markets where practice differs (such as in the USA where non-executive directors may receive share options or have the ability to influence the level of variable award that they receive) we expect awards to be modest and not linked to company performance as we consider that doing so could jeopardise independence.

We support the use of clawback policies intended to recoup remuneration already paid to executive directors.

UK

Royal London Asset Management will usually vote against a Remuneration Policy where:

- there are structural concerns,
- there is potential for egregious remuneration,
- there are unjustified increases to maximum pay,
- the independence of the Remuneration Committee is compromised,
- there is poor disclosure,
- there is undue complexity,
- the approval of remuneration is bundled with a corporate action, and / or
- clawback and malus provisions are absent, or insufficient.

12.2 Remuneration Reports

Where a company's Remuneration Policy has been approved by shareholders, Royal London Asset Management will generally support awards, provided they are aligned to the Remuneration Policy and there has been demonstrable effective implementation of the company's Remuneration Policy over the reporting period, taking into account the overall performance of the business. Royal London Asset Management expects Remuneration Committees to exercise their discretion when the formulaic outcome of a Remuneration Policy is disconnected with company performance or shareholder experience so that reward outcomes are appropriate.

Royal London Asset Management is likely to vote against a Remuneration Report if:

- there is inadequate alignment between remuneration in year and long-term shareholder value,
- the independence of the Remuneration Committee is compromised,
- it is not possible to adequately assess rewards due to poor disclosure or unnecessary complexity,
- bonuses are awarded without reference to performance targets,
- executive base salaries' increases are significantly greater than for the wider workforce,
- the company paid inappropriate recruitment awards that are absent performance conditions, and / or
- the Remuneration Committee has failed to exercise an appropriate degree of discretion in granting awards.

Royal London Asset Management may also consider voting against a Remuneration Report if:

- the Remuneration Committee has applied upwards discretion,
- the quantum of awards is not sufficiently justified by performance,
- one-off awards are made, including transactional bonuses, retirement bonuses, golden hellos, or retention bonuses,
- the vesting period for long-term incentive awards is less than three years,
- the long-term incentive awards are only linked to share price performance,
- executive shareholding requirements are not sufficiently material,
- the Board has failed to address high votes against pay in previous years, and / or
- the company ignores material and important stakeholder concerns.

USA & Canada

Royal London Asset Management will normally vote against a Compensation Report proposal where:

- there are favourable change-in-control terms,
- egregious cash severance, tax gross-ups or excessive or inappropriate benefits and perquisites are provided,
- there is significant dilution or plans allow for automatic replenishment of shares or reloading of expired stock options,
- less than 50% of long-term incentives are performance based or with less than a minimum three-year vesting period,
- omnibus compensation schemes bundle multiple types of company compensation into one vote,
- performance based awards are granted to non-executive directors,
- the company has failed to disclose any details of the performance targets, and / or
- material exceptional awards have been granted.

Japan

Details of the executives' compensation packages are rarely disclosed but companies are required to seek approval for changes in the aggregate fees payable to both directors and statutory auditors.

Royal London Asset Management will be generally supportive of any changes to the aggregate fee level, provided these are reasonable relative to the size of the company.

Royal London Asset Management will vote against the granting of retirement bonuses to 'outsiders' on the basis that this detrimentally impacts their independent oversight of the Board.

Royal London Asset Management will vote against the granting of retirement bonuses for executives if the amount is not disclosed.

Europe

When making voting decisions in Europe, we will take into account local market practice. Pension provisions in Europe are mandated by law in many markets and severance packages are also governed by EU regulation. We encourage increased disclosure in certain European markets where disclosure lags global peers.

Australia

A unique feature of this market is the Board Spill resolution, designed to hold the Board to account should the Remuneration Report receive greater than a 25% vote Against for two consecutive years. A Board Spill is a significant step that could result in the ejection of all but the Managing Director, and as such each will be assessed on a case-by-case basis.

When voting on a Board Spill, Royal London Asset Management will take into account how responsive the company has been to shareholders, whether any changes have been made to remuneration and any other factors Royal London Asset Management considers relevant.

China / Hong Kong / Taiwan

Remuneration votes are generally restricted to the approval of aggregate fees for the next financial year with no breakdown. When voting, Royal London Asset Management will consider previous years' fees and corporate performance and vote against any changes that seem disproportionate.

Malaysia / Singapore / Thailand / India

While there are no formal requirements to submit remuneration to a vote or provide a breakdown of fees, local Malaysian legislation is forcing the disclosure of how directors are remunerated and the link between pay and performance.

In Singapore the local Governance Code specifies the required disclosure of the remuneration of the top five highest paid executives with a breakdown of fixed versus performance-based pay, any equity awards, benefits or other forms of remuneration.

Shareholders are not afforded a vote, but Royal London Asset Management may, where there are significant concerns, escalate a vote against a director on the Remuneration Committee if awards are deemed inappropriate.

In India the election of an executive director is often bundled with the approval of the terms of their remuneration package.

Royal London Asset Management may vote against if there are concerns with either the director or the remuneration package.

South Korea

In South Korea, remuneration is submitted to shareholder approval in the form of aggregate fees, and may consist of salary, bonus awards, performance awards and benefits. Limited disclosure is provided beyond this aggregate fee.

Retirement benefits are still commonplace in the market. Where these are submitted to shareholder approval, Royal London Asset Management will oppose the granting of these to non-executive directors.

Royal London Asset Management is supportive of the move in this market towards remunerating executives via performance linked equity awards.

12.3 Share Based Schemes

Royal London Asset Management recognises the value of performance-related remuneration, such as share-based incentive schemes. Such incentives should be designed to reward high performance that adds significantly to shareholder value and be subject to performance conditions, aligned to the company's objectives and strategy.

The build-up of a significant financial commitment through shareholding ensures alignment with the objectives of shareholders and we are supportive of requirements in Remuneration Policies for executives to hold shares worth several times their base salary. As a minimum, these shares should be held until termination of employment or retirement, but preferably for a set term beyond this.

We welcome employee-wide schemes in the belief that strong employee-ownership and engagement can be very beneficial to the strength and competitiveness of a business, which ultimately benefits shareholders. Such schemes also allow employees to share in the success of a business.

Royal London Asset Management considers best practice to consist of the following:

- executives should build up a meaningful financial commitment, at a minimum equal to their long-term incentive opportunity,
- remuneration structures should incorporate material, environmental, social and sustainability-related performance measures linked to verifiable KPIs, where appropriate to the business,
- performance targets should be sufficiently challenging and aligned with the long-term strategic objectives of the company,
- all performance periods should be for a minimum of three years (where appropriate we are supportive of schemes that extend beyond this),
- additional two year post-vesting holding periods for share awards are encouraged,
- an appropriate vesting scale should govern the level of vesting at different performance points, and
- only marginal amounts (0-25%) should vest for average or threshold performance and full vesting should only occur for outstanding performance.

Royal London Asset Management will vote against the adoption of a scheme that incorporated or permitted any of the following features:

- issuing of discounted share options,
- re-pricing share options,
- breaching of institutional guidelines on dilution,
- automatic vesting on change of control or other trigger,
- early vesting on severance,
- waiving or lowering of performance targets,
- retesting of performance targets,
- insufficiently challenging performance targets (taking account of the size of awards and any vesting scale),
- amending material aspects of the scheme without reference to shareholders,
- absence of individual participation limits,
- proportionate individual participation when considered in conjunction with awards under other schemes,
- performance period of less than three years, and / or
- participation of non-executive directors in the scheme.

Schemes should be subject to performance conditions that provide a meaningful alignment with company strategy and objectives. In doing so, the chosen targets should take account of performance in a relative (peer comparison) and absolute (underlying growth) sense, and be mindful of the need to retain a focus on the long-term.

Japan

Royal London Asset Management is generally supportive of equity compensation plans, particularly as a means of retaining and incentivising the workforce. When evaluating plans we will take account of the total dilution level, vesting period and recent history of equity grants requested by the company.

Royal London Asset Management will oppose any plans featuring re-pricing provisions, performance-based incentives to outside directors, statutory auditors, members of the Audit Committee or statutory auditors.

Strict guidelines should be observed with regard to the issue or potential issue of shares for incentive schemes, both as to the proportion of shares issued and to the rate at which these are issued annually.

Royal London Asset Management will not support schemes which do not comply with best practice guidelines on dilution and participation limits, unless sufficient justification is provided.

Royal London Asset Management expects no more than 10% of a company's equity (adjusted for share issuance and cancellation) to be used for share-based schemes within a ten-year period, covering all schemes, no more than 5% of which should be available for discretionary schemes during this period.

We expect commitments to issue new shares or re-issue treasury shares to be included within these limits when aggregating awards under all share schemes.

12.4 Alternative Remuneration Structures

Royal London Asset Management is open to alternative models of pay, such as the granting of Restricted Stock Units (RSUs). RSUs are where an employer can commit to issue company shares to their employee in the future if they achieve either pre-set performance targets or remain with their employer for a pre-set length of time. The rationale for adoption of an alternative structure should be clearly communicated and not be used to circumvent poor performance.

UK

Royal London Asset Management is willing to consider supporting alternative models of pay in the UK, including the granting of RSUs, under certain circumstances. While we will consider these on a case-by-case basis, we are more likely to support RSU plans with the following criteria:

- RSU plans that offer a considerable discount to the existing LTIP, preferably 50% on the long-term award opportunity to be replaced.
- Plans that comprise of a long vesting/ holding period (we would expect to see a minimum of five years applied).

We would be supportive of plans that apply a quantifiable performance underpin or provide for an assessment of performance on grant.

USA & Canada:

RSUs or stock options will be reviewed on a case-by-case basis and expected to operate alongside performance-based awards.

12.5 Pensions

UK

We fully support the requirement for Executive Directors' pensions to be aligned with those of the workforce: we expect all new Remuneration Policies to specify that any new executive appointments will receive the same pension contribution as the majority of the workforce.

Remuneration Committees should actively review the pension provisions currently in place for both executives and the broader workforce. While we understand the difficulties associated with amending pension provisions for current executives, we encourage companies to make every effort to address discrepancies in pension levels and be transparent in the actions that they are taking.

Royal London Asset Management may vote against remuneration where executive pensions for new joiners are not aligned with the workforce.

Royal London Asset Management may vote against existing pension provisions deemed to be egregious in the absence of a compelling explanation.

12.6 Service Contracts

UK

Wherever possible, a company should seek to mitigate liabilities on severance and should publish its policy on mitigation in its Remuneration Report. Any provisions for one year's pay on severance should relate to basic salary and include only bonuses already earned. Royal London Asset Management does not support early vesting of awards under share-based incentive schemes on severance.

It is recognised that there may be exceptional occasions when a longer than normal notice period is appropriate, but the onus rests on the directors to demonstrate this. Where a longer initial notice period is granted on appointment, the notice period should reduce to one year or less within one year.

Royal London Asset Management will not usually support the election or re-election of a director whose notice period exceeds one year.

13 ESG Issues

13.1 Climate Risk

Royal London Asset Management expects all companies to assess and address their respective risks, liabilities and opportunities around climate change, whether these are physical, financial and / or reputational, as well as to acknowledge and address the impact of their business on the climate.

We strongly encourage companies to publicly disclose material climate-related information on their climate risks and / or to produce a Taskforce on Climate-related Financial Disclosures (TCFD) report.

Royal London Asset Management will use our vote on shareholder proposals to support and encourage greater disclosure on climate risk.

Royal London Asset Management will use our vote to call for greater transparency around climate lobbying and potential misalignment with the goals of the Paris Agreement or other climate ambitions.

Royal London Asset Management may abstain or vote against the Chair of the Board where climate change is a material risk to the business and where we consider engagement has not been effective.

If Royal London Asset Management has persistent concerns with climate reporting over a number of years, we may escalate and vote against the re-election of the director(s) with ultimate accountability for this area. Equally, if major concerns are raised around a company's behaviour, accountability or lack of shareholder engagement, we may oppose the re-election of the same director(s).

Royal London Asset Management will vote for shareholder proposals requesting companies to disclose material climate-related information on their climate risks or requesting companies to produce a TCFD report.

Royal London Asset Management will support climate-focused shareholder proposals where we consider the proposal to be reasonable, in the best long-term interests of the company, and not overly prescriptive in nature.

13.2 Climate Transition Plans

When analysing Climate Transition Plans (CTPs), Royal London Asset Management will have due regard for the specific circumstances of the company and its trajectory in decarbonising, the available transition pathways for the sector in which they operate, what other members of their sector or peer group are proposing and alignment of the plans with the Paris Agreement.

At this stage we do not believe an overly prescriptive approach to these votes would be useful for stakeholders; we wish to encourage companies to use AGMs as opportunities to consult with shareholders on their climate plans.

When assessing the credibility of a proposed CTP, we will take a number of factors into account. The (non-exhaustive) list below, taken from what Royal London Asset Management sends to companies in the course of our engagement activity when requesting robust and credible Net Zero plans, can be considered as indicative:

- Does the company disclose emissions, for example through the Annual Report & Accounts?
- Does the company have a target to achieve Net Zero by 2050 or at the earliest feasible timeframe?
- Does the company include short and medium-term targets in its plans (which are aligned with relevant sectorial Paris agreement decarbonisation pathways)?
- Do the targets include specific detail on Scope 1, 2 and 3 emissions and use quality offsets for residual emissions?
- Does the company report on this to any external body such as a Stock Exchange, Prudential Authority or Industry Body/Association?
- Does the plan set specific operational implications and business model transformations required to becoming a Net Zero business?
- Does the company commit to scaling up solutions required to achieve Net Zero and winding down activities that are incompatible with their climate goals?
- Are the Board, management and employees' incentives aligned to achieving the Net Zero targets?
- Does the company consider adaptation measures and ensuring resilience against locked-in climate impacts?
- Does the company commit to engage with communities, workers, and their supply chain to ensure a just transition?
- Does the company align its lobbying and policy advocacy efforts to its climate plans?
- Does the company commit to aligning its capital expenditures and accounting practices with the goals of its climate plans?

Royal London Asset Management will usually vote against a CTP where:

- Measurable targets have not been set,
- It is not possible to adequately assess the plan or its potential consequences due to lack of detail,
- Governance of the implementation of the plan has not been disclosed,
- The strategy is over-reliant on offsetting and does not drive down overall emissions or does not have impact in the next decade,

- The strategy can have important unmitigated negative social and environmental impacts on nature or communities,
- The strategy does not cover material sources of emissions (i.e. scope 3 for banking or oil and gas), and / or
- The strategy is over-reliant on selling off key assets rather than managing or winding down activities.

Royal London Asset Management will abstain and engage when it believes a CTP has specific elements that should be improved but endorses the general direction laid out by management.

Royal London Asset Management may vote in favour a CTP, and in favour of other seemingly competing climate resolutions from other shareholders, when we support the general direction of the plan but consider the specific requests in other climate resolutions can help enhance management's climate plans.

Where consecutive plans (or reports) are put to a shareholder vote, Royal London Asset Management shall assess any progress made and developments during the intervening period and exercise our vote accordingly. Where targets in a CTP have been revised, Royal London Asset Management will, where practicable, seek to engage with management to understand the underlying rationale for the changes (including if relevant the impact of improvements in data quality or from acquisitions and disposals) and shall exercise our vote accordingly.

Royal London Asset Management may abstain or vote against one or more Board Directors in the event that we have serious concern and, where there is no climate vote on the agenda, we may vote against the Chair / CEO.

13.3 Principal Adverse Impacts and other ESG Issues

In line with our obligation as an Asset Manager that manages EU domiciled funds, we consider the principal adverse impacts of our investments.

Royal London Asset Management also expects investee companies to acknowledge, and be actively seeking to address, their most material negative risks and impacts whether these are financial, social, environmental or governance-related.

Topics include, but are not limited to:

- Climate change – the companies' scope 1, 2 and 3 GHG emissions lifecycle assessment of emissions in their products, TCFD reporting, negative social impacts from its climate transition plans, and fossil fuel exposure.
- Circular Economy - the reuse and / or management of wastewater, hazardous waste, raw material consumption, chemical waste and other potential pollutants.
- Biodiversity - activities such as deforestation that may negatively impact the local biodiversity, particularly associated with sites or operations located in areas with sensitive or fragile ecosystems.
- Pollution – including issues such as food waste, fleet management, emissions, spillages and single-use plastics.
- Human Rights – the absence of an approach to modern slavery, exposure to child labour, adverse human rights impacts and indigenous rights.
- Employee Rights – health and safety management (including Mental Health practices), accident and/or fatalities rates, whistle-blower and discrimination protection, income inequality and the use of precarious work.
- Business ethics - corruption, bribery, accountancy practices, problematic approaches to tax, reputational concerns and exposure to controversial weapons.
- Animal Testing - whether adequate efforts are made to reduce or replace animal testing with feasible alternatives where it is required by law.

Not all companies will be impacted by all ESG issues. We expect and accept the need for the approach to these topics to be proportionate, taking into account the risk to, and exposure of, the company.

Where possible Royal London Asset Management will seek to engage with companies on these topics to drive change, but should engagement be ineffective or not possible, Royal London Asset Management will use the companies' principal adverse impacts to inform the way we use our vote.

When voting on matters relating to principal adverse impacts and ESG issues, Royal London Asset Management will assess votes on a case-by-case basis, taking into account the severity of the issue, the company's track record and approach, and the materiality to both the company and the affected parties.

Royal London Asset Management may abstain or vote against the Chair of the Board where there are material ESG risks and we believe there is insufficient reporting and / or progress or remediation.

Royal London Asset Management will support shareholder proposals requesting companies to disclose material information on their ESG risks and / or impacts. While Royal London Asset Management believes companies themselves are best placed to develop specific targets, we may support shareholder resolutions asking for companies to develop targets in the event that they have not made sufficient progress.

14 Auditors

14.1 Auditor Suitability

Royal London Asset Management favours the appointment of an auditor recommended by an independent Audit Committee. Auditors should be independent and ongoing care must be taken by a company so as not to compromise their independence, such as through the size of non-audit fees. Audit Committees should periodically undertake a review of the company's Auditors' independence.

We support the move to greater frequency of tendering for audit contracts and believe that some form of backstop rotation should be in place (we consider twenty years or less to be good practice).

Where Royal London Asset Management has concerns about the quality of the audits or that the Auditor's long tenure is compromising their independence, Royal London Asset Management may vote against the re-appointment of the Auditor.

Where Royal London Asset Management has ongoing concerns about the Auditor, or in cases of negligence or wrongdoing with regard to an Audit, Royal London Asset Management may consider it appropriate to vote against members of the Audit Committee.

Royal London Asset Management may consider it appropriate to vote against the Report and Accounts, the re-appointment of Auditors and / or against specific directors where:

- There is a qualified audit opinion and there is not a sufficient explanation,
- There are questionable related party transactions,
- There are high non-audit fees,
- There are concerns about the independence of the auditor,
- The company has not published a full set of audited accounts prior to the shareholder meeting.

14.2 Non-Audit Fees

Very large non-audit fees can be an indicator of a risk to an Auditors' independence, and Royal London Asset Management discourages them.

Where Auditors carry out consultancy work in addition to their audit work, this must be fully disclosed, and the Audit Committee should exercise appropriate oversight to ensure that Auditor independence is maintained.

Royal London Asset Management will consider voting against the re-appointment of the Auditor if the level of non-audit fees or the type of non-audit work raise concerns as to the Auditors' independence. Where there are significant concerns, Royal London Asset Management may escalate to a vote against the Chair of the Audit Committee or other relevant director

In Japan, companies are required to seek approval for changes in the aggregate fees payable to statutory auditors.

Royal London Asset Management will be generally supportive of any changes to the aggregate fee level provided these are reasonable relative to the size of the company.

Royal London Asset Management will generally oppose the granting of retirement bonuses to statutory auditors as it is considered that this will detrimentally impact their independence.

15 Share Capital

15.1 Dividends

We support the effective and efficient use of shareholder capital and will look favourably upon the release of any dividends. The issue of dividends should be done in compliance with local laws and in the best interests of shareholders over the long term, taking into account the need for capital and liquidity.

A resolution in respect of dividends should be put forward separately from the resolution to receive the Report and Accounts.

Royal London Asset Management will consider each vote on dividends on a case-by-case basis.

15.2 Authority to Issue Shares

Royal London Asset Management will generally support shares being issued without pre-emption rights provided they are subject to local market limits as to the proportion of shares to be issued in relation to the current issued share capital, specified time limits or are tied to a specified capital investment.

Pre-emption rights for existing shareholders are important and should be protected. Royal London Asset Management will generally support authorities to issue shares on a pre-emptive basis provided they are subject similar criteria as for non-pre-emptive issues (as described above).

Royal London Asset Management will vote against any share issuance requests, both pre-emptive and non-pre-emptive, with an express link to anti-takeover mechanisms.

All share issuance authorities should be limited to the next AGM. Royal London Asset Management will voteagainst any authorities that exceed this.

UK

Royal London Asset Management will normally vote for an authority to issue shares with pre-emption rights where the proposed issue is the lesser of the unissued ordinary share capital or a sum equal to one third of the issued ordinary share capital. An additional one third may also be issued, but, again, only when subject to a fully pre-emptive rights issue.

Royal London Asset Management will normally vote in favour of authorities to issue non-pre-emptive shares where the proposed issue is limited to 5% of the current issued share capital. An additional 5% is acceptable where for the purpose of an acquisition or specified capital investment.

Other than in exceptional circumstances, Royal London Asset Management will vote against the waiver of pre-emption rights beyond the 10% limit.

Japan

Royal London Asset Management will only support the issue of share subscription rights if the company fully discloses the price of the shares, the number of shares to be issued, the purpose of the issuance and the recipients.

Europe

Royal London Asset Management will generally vote against requests to issue shares with pre-emptive rights if the requested amount exceeds 100% of a company's issued share capital.

Royal London Asset Management will vote against requests to issue shares without pre-emptive rights if the underlying amount exceeds 20% of a company's issued share capital.

China / Hong Kong / Taiwan

Royal London Asset Management will vote against requests to issue repurchased shares if the discount rate is not disclosed.

Royal London Asset Management will vote against share issuances which are in breach of the local Listing rules.

15.3 Share Repurchases

UK

Royal London Asset Management will normally vote in favour of an authority for share repurchases, provided such repurchase complies with Listing Rule guidelines and the directors demonstrate that this is the most appropriate use of the company's cash resources.

To avoid the possibility of directors being placed in a position of conflict of interest, Royal London Asset Management advocates the adjustment of relevant targets in executive bonus or share incentive schemes to take account of the increase in earnings per share caused by share repurchases.

Europe

Royal London Asset Management will generally vote against requests to repurchase shares when the requested amount exceeds 15% of the company's issued share capital, except when there is an explicit statement that any shares above this 15% threshold will be cancelled or held in treasury. Royal London Asset Management also expect disclosure of the maximum price.

Royal London Asset Management will generally vote against share buyback authorities being requested for the express purpose of being used as a takeover defence.

15.4 Shareholder Rights

Royal London Asset Management expects shareholder rights to be protected. This includes the right of access to information, to be treated fairly and to be able to propose resolutions and vote at shareholder meetings.

Companies should be willing to engage with shareholders where concerns arise. Our expectation is that they will provide sufficient and timely information that enables shareholders to understand key issues and make informed vote decisions. Companies should be available to respond to reasonable enquiries from shareholders.

Royal London Asset Management will review shareholder rights plans on a case-by-case basis and only approve plans that ensure shareholders receive a fair price.

Royal London Asset Management will not support shareholder rights plans that provide management with undue protections at the expense of independent shareholders' interests.

Royal London Asset Management will consider voting against management-proposed amendments to shareholder rights if:

- there is a dual class share structure with inequitable voting rights (except where this is required by law),
- there is limited protection of shareholder rights (for example through country of incorporation or corporate structures, such as variable interest entities),
- there is evidence that the Board is unresponsive to shareholder engagement (such as consistent high votes against management or other shareholder rights controversies), and / or
- the Board proposes 'any other business' resolutions or amendments to company bylaws to allow 'casting votes' or second votes to decide the outcome of tied votes.

Royal London Asset Management will support shareholder-proposed resolutions that seek improvements to shareholder rights, including the ability of shareholders to call a special meeting and nominate directors to the Board, if in-line with local best practice.

We favour a share structure that gives all shares equal voting rights and for companies to abide by the one share one vote principle. We are strongly opposed to multiple share class structures when these violate the one-share one-vote principle or create a misalignment between voting rights and underlying economic exposure to a company. In Royal London Asset Management's view, these structures can often lead to Board entrenchment and reduced accountability to shareholders and the rest of the market.

Royal London Asset Management may consider supporting multiple share class structures or super-voting rights if they are accompanied by sunset provisions. We would expect these to be removed after a reasonable length of time, currently seven years or less.

Royal London Asset Management is likely to vote against capital raising by companies if the capital raising creates unequal voting rights, or the company already has unequal voting rights.

Royal London Asset Management will generally support any resolution reversing unequal voting rights.

In dual-class share structure companies, Royal London Asset Management may decide to vote against Board directors if it considers that the Board is not adequately addressing the interests of smaller shareholders.

Royal London Asset Management will generally vote against any changes of articles of association implementing supermajority voting standards.

Royal London Asset Management will vote against the introduction of multiple share classes unless there is a strong 'sunset' provision.

Royal London Asset Management will usually support resolutions asking for recapitalisation, or the removal of multiple share class structures.

Royal London Asset Management may vote against the Chair of the Governance Committee or the Chair of the Board if a shareholder resolution requesting recapitalisation receives significant support from minority shareholders and is not implemented.

Europe

Generally, Royal London Asset Management is opposed to the idea of unequal voting rights, and fully supports the one-share one-vote principle, but we acknowledge in certain European markets laws exist permitting companies to grant additional voting rights to long-term shareholders.

At companies where additional voting rights are already in force, we believe that it may be in the best interests of our clients for us to take up those rights. As such, we will make reasonable efforts to register our shares to enable us to exercise our full voting rights, provided it is in our clients' best interests to do so.

Royal London Asset Management will support any management resolutions overturning automatic double-voting rights granted by local laws.

Royal London Asset Management will support any resolution repealing a multiple class share structure, including those overturning double voting rights.

Royal London Asset Management will support any resolutions reversing unequal voting rights.

Royal London Asset Management will vote against any resolutions introducing unequal voting rights.

16 Report and Accounts

Royal London Asset Management expects companies to report regularly and in a manner that allows shareholders to have a clear understanding of the business, its strategy and its conduct. We look for companies to be as transparent as possible in their Report and Accounts (recognising the need to balance commercial sensitivities) so that investors can obtain a clear understanding of all the important and relevant issues.

Royal London Asset Management does not necessarily regard voting against the receiving of the Report and Accounts as a vote of no confidence in the Board. We may use our vote on the Report and Accounts to signal a concern regarding an issue that we feel requires more attention by the Board, where there is not a more appropriate item on the agenda against which to reflect our views.

In the case of serious breaches of corporate governance at a company, Royal London Asset Management may abstain from or vote against receiving the Report and Accounts.

Royal London Asset Management may also consider voting against the Report and Accounts where we have serious concerns about ongoing management of environmental and social risks, and where the company has not been responsive to engagement.

17 Shareholder Resolutions

Shareholder resolutions can be a useful means by which investors can communicate concerns that they may have to management. Whilst still relatively rare in the UK, in other markets shareholder resolutions are more prevalent and seen as a key way in which to signal discontent or make requests of management (when shareholder engagement mechanisms are less established).

We expect to see a full and reasoned statement from the company outlining management's stance on any shareholder resolution presented on the ballot and that companies will engage with shareholders and be available to respond to reasonable queries.

Royal London Asset Management will endeavour to support shareholder resolutions when judged to be in the best interests of all stakeholders, whether focused on environmental, social, governance or other matters. Our methodology for these resolutions is to assess:

- whether they cover a subject or issue of material importance to the company,
- whether they are binding or advisory, and
- whether the benefit of implementation is proportionate to the cost and practicalities of doing so.

Royal London Asset Management may oppose a shareholder resolution if:

- we judge the subject to be immaterial to the underlying business,
- implementation of the proposal is so onerous as to negate any potential benefit, or
- if the filer of the resolution is judged to be seeking political or personal gain.

Royal London Asset Management will support proposals that call for greater disclosure and ESG reporting.

Royal London Asset Management will support climate related proposals submitted by shareholders provided they are proportionate and judged to be in the best interests of all stakeholders.

Australia

Increasingly in the Australian market, shareholder resolutions are being filed asking companies to change their constitutions to allow shareholders to file non-binding proposals at an AGM. These proposals would allow shareholders an opportunity to table a resolution on an issue and communicate to the company their support and/or opposition without restricting the company to reply in a particular fashion. We acknowledge the argument that this should be addressed through regulatory change rather than at an individual company level, but agree that this is a useful mechanism for shareholders in the absence of regulation.

Royal London Asset Management supports the principle of non-binding proposals as a mechanism to allow shareholders to challenge management.

18 Political Donations

Royal London Asset Management supports charitable acts at an appropriate level but sees donations to political parties, or to organisations closely associated with political parties, as inappropriate.

Royal London Asset Management welcomes the opportunity to vote on material company donations.

Royal London Asset Management will normally vote against any authority that would allow directors to make donations to political parties.

Royal London Asset Management would only be supportive of such an authority in exceptional circumstances where there was a pressing business case in favour of the authority and where the authority would not have an unduly negative impact upon the company's reputation. It would be the responsibility of the Board to demonstrate to shareholders' satisfaction the existence of such exceptional circumstances.

19 Memorandum and Articles of Association

Proposals to change a company's memorandum and articles of association should be presented to shareholders with a separate resolution for each substantive change. The reasons for each change should be provided.

Royal London Asset Management will normally support management if the proposed changes are regulatory, and either maintain or increase shareholder rights. In the absence of a full and clear explanation, Royal London Asset Management will abstain or vote against amendments to the Articles of Association.

China and Hong Kong

Royal London Asset Management may vote against amendments to a company's Articles of Association where there is a risk of Communist Party Committee being granted the authority to make substantial decisions without Board or shareholder approval.

20 Virtual Shareholder Meetings

Royal London Asset Management has a preference for hybrid meetings (where shareholders have the option to attend and interact either in person or virtually)

Royal London Asset Management will generally vote against virtual only meetings where we consider these to be unnecessarily to the detriment of shareholders.

21 Takeover Bids and Defences

Royal London Asset Management considers takeover bids to be important as a means to maintain an efficient and competitive environment. Some bids do not add to shareholder value, so in contested take-over bids Royal London Asset Management will seek to discuss matters with management and the bidder.

Royal London Asset Management will consider each vote on a case-by-case basis and vote in the best interests of clients.

Royal London Asset Management is generally opposed to the adoption of takeover defence mechanisms or poison pills. Where these are already in existence, we believe these should be put to a shareholder vote and not automatically renewed by the Board. Royal London Asset Management will assess all votes on a case-by-case basis.

Royal London Asset Management will vote against the incumbent Chair of the Board if the company has failed to seek shareholder approval prior to the adoption or renewal of a poison pill.

Royal London Asset Management will vote against the adoption or renewal of a poison pill.

22 Cross Shareholdings

Japan

In a feature unique to Japan, companies historically had extensive cross (or strategic) shareholdings. These were thought to strengthen business relationships primarily between a company and their bank, but may also extend to suppliers and customers. This system functions as a takeover defence mechanism and can insulate management from their shareholders and other external market forces.

Local laws now require a policy on the reduction of cross-shareholdings.

Royal London Asset Management may vote against the Chair of the Board if we have substantial concerns with the company's cross-shareholding policy or the limited efforts to reduce holdings.

23 Investment Trusts

In assessing the governance of Investment Trusts we are supportive of the Association of Investment Trust Companies Code of Corporate Governance as best practice for the sector.

The Board of an Investment Trust should have no more than one representative from its Investment Managers. We expect the Chair and all other non-executive directors to be independent. The fund manager's contract should provide no longer than one year's notice period.

Royal London Asset Management will not support the re-election of a non-executive director to an Investment Trust if he or she is not considered independent and there are insufficient independent directors on the Board.

24 Exclusive Forum

USA & Canada

Northern American companies may propose to introduce forum selection clauses into their articles of association. These clauses determine a particular state or provincial jurisdiction (usually the place of company's incorporation) as the exclusive forum for all disputes of intra-corporate nature, such as, among other things, breach of fiduciary duty claims or shareholder derivative actions. Exclusive forum clauses can often mean increased associated costs and difficulties around pursuing lawsuits. Royal London Asset Management believes that such clauses limit shareholder rights of effective legal remedy when it comes to the choice of venue and the related relief available under a particular state or province's legal system.

Royal London Asset Management will generally vote against proposals to introduce an exclusive forum provision unless the company provides a reasonable justification for the clause.

Royal London Asset Management may vote against the incumbent Chair of the Governance Committee and / or its members if the Board adopted an exclusive forum provision during the year under review without prior shareholder approval.

25 Related Party Transactions

Royal London Asset Management is generally opposed to material related party transactions as these may have a detrimental impact on the corporate governance of the company and / or the independence of the Board. In certain markets or in relation to controlled companies, we do accept that these may be more common. Where approval of a transaction is put to a shareholder vote we will review these on a case-by-case basis.

Royal London Asset Management will generally vote against any transaction falling outside of the company's regular business scope without a reasonable rationale, or in cases of insufficient disclosure regarding the transaction's terms.

26 Any other Business Resolutions

At the conclusion of AGMs in certain markets an 'any other business' resolution can may be presented. The purpose of these is to ensure that if any other matters arise at the meeting, the Board has the ability to take action with prior approval from shareholders.

We consider these forms of resolutions to be detrimental to shareholders who are not physically present and able to vote at the AGM, as no information is provided in advance as to what may or may not be discussed.

Royal London Asset Management will oppose these resolutions whenever they are presented.

27 Discharge of Management and Supervisory Boards

Europe

German, Swiss and Nordic companies may ask their shareholders to ratify the actions of the Supervisory and Management Board(s) during the most recent fiscal year.

The vote on discharge can be presented either as a standalone voting agenda item for each individual director or as a vote to ratify the Board's actions as a whole.

Such requests are seen as a vote of confidence to approve the actions of directors, and often receive a high level of approval. Voting in favour of discharge does not release directors from being liable for any negligence or wrongful acts committed when performing their duties. While there is no formal requirement to do so, in cases where there are significant votes against this ratification, often senior members of the Board will resign.

Royal London Asset Management will generally evaluate such proposals on a case-by-case basis, taking into account any ongoing or finalised legal proceedings, investigations, or any other indicators of the Board's performance during the fiscal year under review.

28 International Sanctions

Royal London Asset Management will comply with any and all international sanctions imposed against certain markets, companies or individuals. Sanctions should be implemented by the various elements in the voting chain, but in the event that a vote does go ahead we will assess each situation on a case-by-case basis.

Potential situations may include:

- companies who maintain substantial operations in a sanctioned market,
- directors who have material links to a sanctioned company or individual,
- additional executive or non-executive directorships at a sanctioned company,
- substantial personal shareholdings, or
- acting as a nominee director or familial ties.

Each situation will be assessed on a case-by-case basis using all available information as to the potential reputational risk to both the company and Royal London Asset Management.

Royal London Asset Management may abstain or vote against the re-election of the Chair of the Board and/or the affected director in the event we consider inappropriate links have been maintained, and no acceptable justification has been provided.

29 Conflicts of Interest Policy

Royal London Asset Management recognises that, during the course of our stewardship and voting activities promoting environmental, social and governance good practice, conflicts of interest may inevitably arise from time to time. We place a strong emphasis on ensuring these conflicts can be effectively identified, managed and disclosed. We have a clearly defined Conflicts of Interest Policy which ensures that all colleagues understand their responsibilities when dealing with our clients' assets. A summary of this policy is available on Royal London Asset Management's website and is described in our annual Stewardship and Responsible Investment Report.

If we become aware that there could potentially be a conflict of interest, we will notify our Chief Investment Officer. The senior management will then discuss the circumstances and ensure that any conflicts are appropriately managed and that we always act in the best interests of our clients.

Contact us

For more information about our range of products and services, please contact us.

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We are happy to provide this document in braille, large print and audio.

Important information

For professional clients only.

The views expressed are those of Royal London Asset Management at the date of publication unless otherwise indicated, which are subject to change, and is not investment advice.

Telephone calls may be recorded. For further information please see the Legals notice at **www.rlam.com**.

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