

# Our Voting Principles



## The expectations we place on our asset managers

We expect our asset managers to monitor their investments, engage with the companies they invest in and vote with due care and consideration so that it will lead to better investment returns and outcomes for Royal London customers.

We expect our asset managers to:

- Have a publicly available **voting policy**
- Give careful consideration to environmental, social and governance (**ESG**) impacts when exercising voting rights
- Take an **active approach** to voting, whether in active or passive funds, and endeavour to always vote either in favour or against a resolution
- Support Boards and management where their actions are consistent with **long-term corporate value** as opposed to short term profits
- Support the alignment of their voting decisions with company **engagement**
- **Disclose** their voting activity no less than twice a year.

## The expectations we place on the companies we invest in

Corporate governance is a prerequisite for creating and protecting shareholder value. We believe it is our responsibility, on behalf of our customers, to seek to encourage best practice at the companies in which we invest. The following principles provide our view on what good Corporate Governance looks like.

### The Board of Directors

The quality of the Board is of utmost importance in order to ensure clear strategic direction, purpose, and appropriate management of risk. We believe that there should be a meaningful diversity of

individuals on the Board, whether of gender, ethnic origin, age, professional background, skills, abilities, qualifications, experience or other factors, and that this helps to facilitate diversity of views, healthy debate and better informed decision making.

The Chairman (at the time of their appointment), along with at least half of the main Board, should be independent non-executive directors. We believe that an independent Board has fewer conflicts of interest and is best placed to protect our interest as shareholders.

Annual election or re-election of directors allows shareholders to hold Board members to account for their actions in a timely manner and provides Boards with the opportunity to adjust their composition in an orderly way to reflect any changes in the company's strategy and operating environment.

### Executive Directors' Remuneration

Companies must develop robust, transparent, and straightforward pay practices which attract the best people, reward outstanding long-term performance, guard against excessive risk taking and provide clear alignment with long-term value creation for shareholders.

Remuneration should be adequate but not excessive, tied directly to the performance of the company and the policy should be tailored to work for the specific circumstances of the company.

### Auditor Independence and Non-Audit Fees

The integrity of a company's financial statements depends on the external auditor it appoints being independent and free of any impediments to being an effective check on management.

There should be no issues that may compromise the independence of the Auditor, such as the size of non-audit fees.

## Shareholder Rights

We support the protection of shareholder rights, including the right to access information, be treated fairly, to be able to propose resolutions and vote at shareholder meetings; and would support resolutions seeking to improve shareholder rights.

We favour a share structure that gives all shares equal voting rights. We do not support the issue of shares with impaired or enhanced voting rights unless justified in a detailed review addressing conflicts, the benefits and any detriment to each class of shareholder.

## The Report and Accounts

Companies are to report regularly in a manner that allows shareholders to have a clear understanding of the business, its strategy and its conduct. The company should be as transparent as possible in its disclosure within the Report & Accounts so that investors can obtain a clear understanding of all the important and relevant issues.

## Environmental Risk

All companies are to assess and address their respective risks, liabilities and opportunities around climate risk, whether these are physical, transitional, financial and/or reputational. We would encourage companies to publicly disclose material climate-related information on their climate risks or to produce a Taskforce on Climate-related Financial Disclosures (TCFD) report.

## Social Inclusion

We believe that companies must take steps to understand and address the corporate culture and needs of the workforce as a whole. A culture should promote respect for one another and encourage ethical behaviour and integrity. We expect companies to have a diverse workforce with a fair pay structure in place for all.





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