



ASSET MANAGEMENT

GLOBAL VOTING
POLICY
2018

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1 Introduction

Royal London Asset Management (RLAM) is 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 plays a pivotal role in ensuring companies are in good standing with their stakeholders. We believe it is the responsibility of institutional investors to act as owners of the companies in which they invest and will seek to maximise value from its investments by using its influence as a shareholder. We do this through engagement and the use of voting rights to promote good corporate governance in investee companies. RLAM regards voting in a responsible, informed and consistent manner to be a fiduciary duty of institutional investors.

In developing and applying its engagement and voting policy in global markets, RLAM will take account of the provisions of the UK Corporate Governance Code as well as regional governance codes and best practice. RLAM will apply discretion and have due regard for the particular circumstances of an investee company, whilst vigorously pursuing the interests of its customers and clients. RLAM recognises that best practice can develop ahead of code provisions and will vote to encourage companies to adopt best practice.

We aim to vote all our actively held shares globally unless impracticable due to local market conditions, such as shareblocking or local power of attorney requirements. We may still vote in these markets if the expected benefit of voting outweighs any reduction in liquidity.

We lend stock on a number of our funds. We will make reasonable efforts to recall stock in advance of a vote to ensure that we are exercising our full voting power at a meeting.

2 Governance Monitoring & Engagement

We recognise that engagement with companies located outside of the UK presents certain challenges. We believe companies should be ready, where practicable, to enter into dialogue with institutional shareholders based on the mutual understanding of objectives.

Where we have concerns about environmental, social and governance (ESG) issues as well as strategy and performance, we will seek to engage with management and non-executive directors where practical.

We will also participate in collaborative company meetings with other shareholders. This can be useful in ensuring that the company is aware of the seriousness of the situation and that ESG concerns are shared by several investors.

In cases where a Board is not responsive to engagement, RLAM will consider further active involvement where appropriate, including:

- Meeting directors, including non-executives
- Making joint representations with other institutions
- Using its voting power to oppose the Board
- Making public statements
- Submitting resolutions at general meetings
- Working with other investors to requisition an extraordinary general meeting.

3 Voting Procedures

3.1 Voting Decisions

To ensure consistency, voting decisions for actively held portfolios are reviewed by fund managers and ESG specialists. Contentious votes are escalated to our Head of Equities for a final voting decision.

3.2 Transparency

RLAM considers that transparency is a necessary feature of responsible shareholding. RLAM discloses details of its votes on its website (<http://www.rlam-voting.co.uk/voting/>) giving brief explanations for instances where it has not supported management.

4 Our Approach to Voting

RLAM will seek to support the Board of a company that acts in the long-term interests of shareholders. In general RLAM 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 falls short of best practice, but the issue is not sufficiently material to oppose management; or
- A matter is material, although not fundamental, and RLAM has not previously raised the matter with the company; or
- As a means of warning a company or drawing attention to an issue. We may choose to abstain on an issue before voting against the Board in an effort to raise our concerns with the Board.

AGAINST

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

RLAM prefers to send a clear message to the Board and therefore will minimise the use of abstentions where possible.

5 General Voting Guidelines

This section sets out our general approach to voting in global markets, and should be read in conjunction with our [UK Voting Policy](#). However, we acknowledge that best practice may differ in some markets, and have therefore set out some market-specific guidelines in section 6 below.

5.1 Board Composition

Companies should have a board that has the appropriate skills and experience and be broadly independent and free from conflicts of interest.

We will consider voting against the election of directors if:

- The Chairman is not independent, is an executive, or there is a joint Chair/CEO.
- There is a classified board or directors do not stand for election every year (large-cap companies only).
- There are serious concerns regarding the balance of independent directors on the board.

- In the case of a unitary board structure, there is not a majority of independent directors on the board.
- In the case of two-tier boards, if the supervisory board is not fully independent.
- There are persistent attendance concerns without a legitimate explanation.
- Directors are considered “overboarded”. For example, non-executives who serve on more than five boards, or executives with more than two additional non-executive positions.
- There is evidence of an entrenched board (more than half the board has served for more than 15 years).
- Executives sit on the Audit or Remuneration Committees.
- The controlling shareholder/family (or their representatives) hold a disproportionate number of board seats relative to their shareholding.

5.2 Shareholder Rights

Companies should abide by the one share one vote principle, provide an acceptable level of protection for shareholders and be willing to engage with shareholders where concerns arise.

We will consider voting against management-proposed resolutions 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 (VIEs))

- There is evidence that the board is unresponsive to shareholder engagement (such as consistent high votes against management or other shareholder rights controversies)
- We will support shareholder-proposed resolutions that seek improvements to shareholder rights.

5.3 Remuneration

Companies should provide competitive yet fair levels of remuneration for executives that is tied to long-term financial performance.

We will consider voting against remuneration resolutions if:

- The board has applied discretion to increase or adjust remuneration without sufficient justification.
- The company has used golden hellos or golden parachutes.
- The quantum of awards is not sufficiently justified by performance.
- The vesting period for long-term incentive awards is less than three years.
- Long-term incentive awards are not subject to performance measurement other than share price.
- Executive shareholdings are not sufficiently material to align them with the interests of shareholders.
- There is a history of high votes against pay in previous years and management has not addressed shareholder concerns.
- Poor disclosure does not allow us to make an informed assessment of pay practices.

5.4 Audit & Control

Companies should maintain a robust audit function and maintain appropriate oversight of the financial accounts.

We will consider voting against the report and accounts or against the auditors if:

- There is a qualified audit opinion and there is insufficient explanation
- There are questionable related party transactions
- There are high non-audit fees
- We have concerns about the independence of the auditors

6 Market Specific Guidelines

6.1 USA

In the US we support efforts by investors to strengthen corporate governance and ESG reporting, such as the Council of Institutional Investors (CII). We will vote to encourage companies to adopt a best practice approach, particularly on issues such as a combined CEO/Chair role and the awarding of non-performance related pay.

In the US, we will generally apply the following voting principles:

- We will vote against favourable change in control terms such as single trigger for accelerated vesting of awards or high payouts of base pay and benefits on a takeover.
- We will vote against excessive cash severance, tax gross-ups or

excessive or inappropriate benefits and perquisites.

- We require at least 50% of long-term incentives to be performance based with a minimum three year vesting period. We may support RSUs or stock options as part of the overall remuneration package, but will review these on a case by case basis.
- We will oppose NEDs receiving share options and/or having the ability to influence decisions about the level of variable awards wthey receive (we would consider modest restricted shares for NEDs to be acceptable in this market).
- We will evaluate all Proxy Contest proposals on a case-by-case basis and base our decision on what we consider to be in the best interests of both individual shareholders and the long term success of the company.
- We will support shareholder proposals to increase shareholder rights or proxy access, provided they are deemed reasonable.
- We will vote against the introduction of a multiple share class structure if it violates the one-share one-vote principle or a supermajority voting requirement.
- Generally, we will support shareholder proposals in this market when they call for greater disclosure and ESG reporting. We will only oppose shareholder resolutions if they are deemed unnecessary and/or unworkable.

6.2 Japan

In Japan the corporate governance framework is set by Japanese Company Law and the Tokyo Stock Exchange listing rules, among other financial and legal legislation. This is a unique market with regards to governance, historically with very limited independent representation on boards and habitually entrenched and interconnected boards. The introduction of the Japanese Stewardship Code in 2014 and Corporate Governance Code in 2015 has led to a number of changes in the Japanese governance landscape. We highly encourage the move towards increased independence and diversity in the Boardroom and the drive for greater disclosure of remuneration practices.

In Japan, we will generally apply the following voting principles:

- We expect at least two independent outsiders to be present on the board, and will consider voting against any affiliated (non-independent) outsiders if this standard is not met.
- If there is insufficient independence on the Board we will also consider voting against the highest ranking member of the Nominations Committee, or the Chairman/CEO of the Board.
- For companies adopting a US-style Unitary Board, we will expect at least 50% overall board independence with a majority of independent members on the three board committees.
- For Audit Committee Boards, we expect 50% independence on the committee and at least two independent outsiders on the Board.
- For Statutory Audit Boards we expect at least 50% of members to be independent, this also applies to Alternate Statutory Auditor appointments.

- We oppose the granting of retirement bonuses to outsiders and/or statutory auditors as this detrimentally impacts their independent oversight of the board.
- We will additionally oppose retirement bonuses for executives if the amount is not disclosed.
- We will consider shareholder proposals on a case-by-case basis, remaining sensible to the practicalities and merits of each proposal. We will generally support those proposals calling for increased board independence and environmental reporting.

6.3 Europe

European corporate governance standards and regulations can vary greatly country to country dependent on the legislative framework.

With the introduction of numerous EU directives however, there is emerging commonality and the adoption of market-wide standards.

We will apply our global governance guidelines outlined above as far as they are applicable with additional country-specific items as required.

- We will vote against non-independent directors where the Board is less than 50% independent.
- For Countries/Companies that adopt a two tier board structure, the supervisory board must be majority independent; employee representatives (where present) are included in our calculations.
- We will vote against non-independent members of Audit and Remuneration Committees.
- The Chair of the Board should be independent on appointment. Despite some markets permitting the role of the CEO and Chair to be combined, we would prefer for the roles

to be separate, unless the roles are combined on a temporary basis.

- We will oppose bundled director elections if we have concerns with one or more individual elections. Bundled elections inhibit the ability of investors to make decisions on the merits of each individual.
- We will generally be supportive of Assogestioni sponsored slate director elections in Italy. Assogestioni's function is to promote corporate governance in Italy, as such we support their attempts to improve standards.
- We will generally oppose the appointment of Censors in France without significant accompanying rationale.
- We believe that directors should be subject to annual re-election, but for those markets where this is not standard practice we will oppose any term lengths greater than three years.
- We will vote against the participation of any non-executive directors in performance related pay.
- We oppose 'any other business' resolutions, as these detrimentally impact shareholders who are not physically present at the meeting.
- We will vote against any resolutions introducing unequal voting rights.

6.4 Australia

For Australian meetings we will largely apply the principles contained in our UK Voting Policy.

In addition we will apply the following voting principles in Australia:

- Against the Remuneration Report for poor disclosure of performance and/or structure.
- Against the Remuneration Report if there is significant disconnect between company performance and the level of executive remuneration.
- Against the award of variable remuneration if there are no performance conditions other than share price.
- Against the Remuneration Committee Chair if we have consistently voted against the Remuneration Report and they are not new to the role.
- Against any change of articles requiring supermajority voting standards.
- We will review all Board Spill resolutions on a case-by-case basis.

7 Conflict of Interest Policy

RLAM 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 staff understand their responsibilities when dealing with our clients' assets. If we become aware that there could potentially be a conflict of interest, we will notify the 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.

Ashley Hamilton Claxton, Head of Responsible Investment
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