AEGON MASTER TRUST

Responsible Investment Policy

Introduction

This policy explains to our Members how we, the Trustees of the Aegon Master Trust (the "Trustees" of the "Scheme"), manage investments in a responsible manner on their behalf. It covers:

1. Our responsible investment beliefs
2. Selection, appointment and monitoring of asset managers, and our responsible investment minimum expectations
3. Our engagement themes and expectations of asset managers, including expressions of wish
4. Our net-zero targets and progress

The Trustees oversee the implementation of this policy and the Scheme's responsible investment strategy. Aegon UK is responsible for the day-to-day execution and implementation of the Scheme's investment strategy. We work constructively with our asset managers but we are ready to take action if they are consistently not meeting the responsible investment and engagement expectations set out in this policy.

1. Our responsible investment beliefs

Investment beliefs are guiding principles which inform the investment strategy and design of the Aegon Master Trust default arrangements and the number and type of other investment options we make available to Members. We re-evaluate our responsible investment beliefs as part of a review of our Statement of Investment Principles, which takes place at least every three years and following any significant change in (a) investment policy or (b) the demographic profile of relevant Members in our most popular Scheme default fund, Aegon BlackRock LifePath Flexi. Our responsible investment beliefs are as follows:

Risk management

- The Trustees believe that active consideration of ESG issues will lead to improved outcomes for Members and better management of risk.
- The Trustees believe that a broad approach to ESG integration is important, considering all three components of ESG investing. Climate change, in particular, presents significant risks, as well as opportunities to invest in the transition to a low-carbon and climate-resilient future.

Investment approach

- ESG issues which are considered to be financially material should be integrated into the overall management of the standard default options.
- The standard self-select fund range should include specialist funds which invest in line with sustainable and / or responsible investment themes, taking into account Member preferences where relevant.
- The Trustees will only select asset managers that integrate ESG issues within their overall decision making. A key aspect is to ensure that each asset manager supports our climate ambition and net zero commitment.

Reporting and monitoring

- The Trustees will regularly monitor key ESG metrics within the Scheme's investment portfolio, to understand the impact of their investments and to assess progress over time.

Voting and engagement

- The Trustees recognise that active engagement with investee companies, including thoughtful voting, is key to driving change. They will therefore monitor the asset managers' voting and stewardship engagement activity to assess improvements over time.

Collaboration

- The Trustees expect asset managers to engage actively with other market participants to raise ESG investment standards and facilitate best practices. They also expect their chosen asset managers to be signatories to the United Nations Principles for Responsible Investment (UN PRI) and the UK Stewardship Code as minimum, and that they are be able to demonstrate ongoing progress in raising ESG standards.

2. Asset managers' selection, appointment and monitoring, and our responsible investment minimum expectations

Due to our assets being managed by external asset managers, our responsible investment approach focuses on asset manager selection, appointment, and monitoring. Prospective managers are screened based on their ability to meet our minimum expectations across five areas of responsible investment below.

Responsible Investment Category	Minimum Expectations
1. Responsible Investment Governance	Ensuring robust and adequately resourced governance is in place
2. Voting and Engagement	Driving active engagement and voting informed by material sustainability issues
3. Climate Change	Supporting our climate ambition and net zero commitment
4. Industry Advocacy	Using their voice to drive systemic sustainable changes in the economy
5. Diversity and Inclusion	Improving representation for better decision-making

We expect our asset managers to have a view and be able to report back to us on activities across these responsible investment categories. An example of a specific minimum expectation of our asset managers is being a signatory to both the United Nations Principles for Responsible Investment and UK Stewardship Code.

New asset managers are required to adhere to all our minimum expectations above in order to be appointed. No new business can be awarded to asset managers that fail to meet our minimum expectations unless they are credibly working to meet these expectations.

Every year we assess our asset managers' credentials and progress on the five responsible investment categories to ensure adherence with our policy. We also use the scores to inform our engagement throughout the year. Where an existing asset manager fails to meet one of our minimum expectations, we assess their willingness and ability to improve following a process of escalation, starting with additional dialogue with management and/or directors. Escalation may result in the removal from the Scheme's range if an asset manager continues to fall short of our expectations. We review our minimum expectations in line with market developments, industry best practice and regulatory changes.

3. Our engagement themes and expectations of asset managers, including expressions of wish

Our Members' views inform and guide our approach to responsible investment. We have developed three engagement themes guided by Member insights, our own research supported by Aegon UK's expertise, our responsible investment beliefs, industry best practice and policy and regulation to help us prioritise our activities. Our engagement themes are reviewed periodically as appropriate.

- Climate change, including net zero and the just transition
- Nature, including biodiversity and deforestation
- Diversity and inclusion, including board diversity
- Human rights, including modern slavery

We monitor how our asset managers undertake their engagement activities in line with our engagement themes and expectations, and we engage with them on any areas of divergence. Our expectations are as follows:

Area	Engagement principles and guidelines
1. Specific engagement themes ***Ensuring corporate transparency and accountability on sustainability***	**1. Climate change, including net zero and the just transition** *i. Overall approach/implementation plan* • Manager can clearly articulate its investment beliefs with regards to climate change, including which climate scenarios the manager considers most likely. • Manager can provide a clear net-zero transition plan, including interim targets, sectoral decarbonization pathways as relevant and key drivers of progress. • Manager can quantify climate risks and opportunities for assets managed for Aegon UK (e.g. physical and transitional risks under different climate scenarios and other forward-looking climate indicators) and assess progress against decarbonisation pathways, using which to inform the manager's engagement strategy. • Manager provides their approach to managed phaseouts and/or divestment for high-emitting assets incompatible with a 1.5°C pathway, in particular thermal coal and oil sands. • Manager can demonstrate mobilization of capital towards climate solutions and/or opportunities to incentivize the transition by companies to net zero, where possible. • Manager is able to demonstrate practices in line with the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Stewardship Toolkit in respect of listed equity and corporate fixed income.

	ii. Corporate engagement • Manager engages with companies on the transparency of their climate disclosures, their net-zero commitment, target(s), and associated transition plans to reduce greenhouse gas emissions aligned with a well below 2°C future, preferably 1.5°C. • Manager is able to demonstrate consideration of social issues by companies in moving to a low carbon economy to support a just transition. **2. Nature, including biodiversity and deforestation** • Manager can demonstrate their approach to identify and assess nature risks and opportunities in their portfolios, considering available data and qualitative assessments and with a focus on key risk sectors. • Manager engages with companies on how they manage and report on nature-related impacts and dependencies (e.g., in relation to Taskforce for Nature-Related Financial Disclosures (TNFD) reporting framework). **3. Diversity, equity and inclusion (DE&I)** • Manager is supportive of greater transparency by companies on D&I policies and practices at board and management levels, and throughout the workforce. • Manager considers engaging on DE&I with companies in respect of their business processes including talent lifecycle (from recruitment to retention and advancement); product and/or service development; and supply chain, taking into account diversity beyond gender, intersectionality and corporate culture. **4. Human rights** • Manager is able to clearly articulate their engagement and voting policies in relation to human rights. • Manager has an engagement program on human rights and is able to provide measurable data on their performance in managing human rights risks within portfolio companies where available, particularly within sectors and/or geographical areas where the risk of labour exploitation is higher.
2. Exercising rights and responsibilities ***Engaging in all asset classes, including those beyond listed equity***	**Manager is able to demonstrate the spirit of stewardship across all asset classes, commensurate with significance, achievable impact and manager size.** **1. Expectations on listed equity:** • Manager can provide merit-based voting policy that sets clear criteria for evaluating shareholder resolutions and different routine votes (e.g., director re-apointment). • Manager is able to clearly articulate how net zero and other material sustainability factors, particularly those relevant to our engagement themes, are integrated into voting policy on routine votes.

	• Manager considers pre-declaration of voting intentions for important and/or contentious ESG resolutions to clients and portfolio companies, where regulatory permissible to be disclosed. **2. Expectations on fixed income** *i. Corporate debt* • Manager engages with companies on material sustainability issues particularly at debt origination and reissuance. • Manager leverages both equity and bond holdings, where applicable, to influence company management. • Manager assess covenants when reviewing prospectus and transaction documents, and requests, as applicable, the amendment and/or inclusion of contractual obligations to support stated sustainability objectives. *ii. Sovereign debt* • Manager engages with sovereign issuers on material sustainability risks. • Manager engages with other stakeholders, e.g., trade unions and supranationals, such as the World Bank and the International Monetary Fund (IMF) to raise stewardship and sustainability issues.
3. Engagement Outcomes ***Driving real world change and effective asset owner oversight***	• Manager defines pre-defined SMART (specific, measurable, achievable, realistic and time-bound) engagement objectives where appropriate. • Manager provides clear and transparent expectations of companies, particularly in relation to our engagement themes. • Manager is able to provide timely and transparent engagement reporting, including information to support our ‘expression of wish’ (see Bii) below, as well as data and statistics reflecting engagement progress and outcomes (beyond simply engagement activities). • Where time-bound engagement objectives are not met, manager is able to demonstrate a robust approach in relation to escalation strategy, which employs a range of escalation tools (e.g., the issue of public statements, refusing to purchase additional bonds, vote against boards, filing a shareholder proposal where permissible under regulatory requirements etc.). • Manager actively welcomes and provides mechanisms that enable effective client oversight of and input into the manager’s engagement strategy (e.g., client roundtables focusing on a particular topic such as the development of the manager’s voting and engagement policy, supporting clients with gap analysis on voting and engagement policies to understand any material gaps by the manager in aligning with client expectations). • Manager is able to demonstrate how its engagement approach is systematically integrated into investment decisions.

4. Collaborative engagement ***Supporting systemic change to promote a well-functioning financial system***	• Where resources allow, manager is signatories/members of key industry groups (for example, the Principles for Responsible Investment (PRI), Nature Action 100, IIGCC, Climate Action 100+, Net Zero Asset Managers and UK Stewardship Code) and participate actively in the spirit of those initiatives' principles. • Manager ensures that its own and investee company policy engagement aligns with key principles under the UN-convened Net Zero Asset Owner Alliance's guidance 'Aligning Climate Policy Engagement with Net-Zero Commitments'.

Expressions of wish refer to non-binding requests by asset owners, particularly in respect of pooled funds, for managers to vote a certain way. We see expressions of wish as an extension of our monitoring of asset managers, especially in relation to most significant votes. We provide expressions of wish to select asset managers in our pooled mandates to set out how we prefer them to vote, in relation to most significant votes. Factors that inform our definition of most significant votes include size of holdings, alignment with our engagement themes, as well as the degree of impact on our financial or stewardship outcomes. We discuss our voting preferences with select managers in advance of most significant votes. Subsequently, we monitor the voting behaviours of our key asset managers against our expressions of wish and engage with them on any areas of divergence. We will take into account our Voting Guidelines (see Appendix) when developing our expressions of wish and monitoring our asset managers' voting and engagement activities.

4. Our net-zero targets and progress

Trustees recognise that climate change poses risks and opportunities to the Scheme. As part of our fiduciary duty, we incorporate climate change considerations into our investment strategy. We have begun our journey by committing our most popular Scheme default fund, Aegon BlackRock LifePath Flexi, to net-zero greenhouse gas emissions by 2050 and to halve its financed carbon footprint[1] by 2030, against 2019 levels. Our medium-term target is supported by:

- our asset manager's target of reducing BlackRock LifePath UK's carbon emissions intensity by sales by 50% between 2019 and 2029;
- our investment service provider's net-zero transition plan **(see Aegon UK's climate roadmap)**.

Further detail on how we are making progress towards net-zero through the way we allocate capital and how we engage with our asset managers, climate data providers, relevant industry groups and policy forums can be found in our latest **financial climate-related disclosures**.

[1]Carbon footprint refers to the carbon emissions for which an investor is responsible, per million of British pounds invested, by their total overall financing. Emissions are apportioned across all outstanding shares and bonds, using enterprise value including cash.

Appendix – Aegon Master Trust Voting Guidelines

Climate Change

Climate change is a systemic issue that is vital to address for the future financial well-being of our customers.

As one of the UK's largest asset owners, we have both the opportunity and a responsibility to play an active role in fighting climate change.

Whilst climate change presents significant risks, it also presents opportunities to invest in the transition to a low-carbon and climate-resilient future. We expect investee companies to assess the impact of climate change on their business model and how it will be adapted to transition to a low-carbon economy. We expect company climate disclosures to be aligned with the Task Force on Climate Related Financial Disclosures ("TCFD") framework. Company climate disclosure should consider the social impact of their decarbonisation plan and demonstrate how they are ensuring a just transition, making sure no groups are left behind as the world transitions to a low-carbon economy.

Consistent with our support of Climate Action100+ and membership in Institutional Investor Group on Climate Change (IIGCC), and Net Zero Asset Owner Alliance (NZAOA), we expect asset managers to engage with companies on the transparency of their climate disclosures, their net zero commitment, targets and associated transition plans to reduce greenhouse gas emissions aligned with a well below 2°C future, preferably 1.5°C and the approach to managing the social risks of the transition to a low carbon economy.

We encourage companies to develop a transition plan that discloses the strategy/actions on how they intend to transition to net-zero greenhouse gas (GHG) emissions by 2050 or sooner. When assessing a company's transition plan, we encourage disclosure on:

Alignment Criteria	**Ambition**	Companies should adopt a long-term net zero ambition consistent with limiting the increase in global temperatures to 1.5 °C by 2050 (or sooner).
	Targets	Companies should adopt short- and medium-term emission reduction targets (scope 1, 2 and 3). The targets should aim to be consistent with the trajectory implied by the long-term ambition and aligned with the relevant sector trajectory. Climate targets should be built around robust methodologies and encourage companies to commit to the Science Based Targets initiative (SBTi)'s net zero standard.
	Emission Disclosure	Scope 1, 2 and 3 emissions should be disclosed along with a satisfactory a review of the company's measurement and verification process. Companies should report on current emissions intensity performance (scope 1, 2 and 3) relative to science-based net zero pathways.

	Decarbonisation Strategy	Companies should disclose a quantified decarbonisation strategy setting out the measures that will be deployed to meet the company's net zero commitment and targets. We encourage disclosure to specify the role of climate solutions (i.e. technologies and products that will enable the economy
		to decarbonise) in the strategy, including the proportion of revenue or production that is generated from climate solutions and its share in overall sales. Reporting should also cover the use of neutralising actions such as CCUS (Carbon Capture, Utilisation, and Storage) and offsets. We believe the use of neutralisation actions and offsets should be reserved for all but the most 'hard-to-abate' or residual emissions and over-reliance on such solutions may potentially delay efforts to abate emissions. More specifically, we encourage companies in high emitting sectors to define a fossil fuel phase-out plan, with a clear target for divesting coal assets by 2030 in OECD countries and 2050 in the rest of the world (for companies active in thermal coal mining, trading and/or combustion for energy generation).
	Capital Allocation	Companies should disclose capital expenditure plans that are consistent with the overall decarbonisation strategy. Disclosure should include the stated value of its capital expenditure that is going towards carbon-intensive assets or products and how it intends to invest in climate solutions.
Additional Criteria	**Climate Policy Engagement**	Companies should disclose the membership of trade associations and address instances where there are significant inconsistencies between a company's publicly stated policy positions and commitments including sustainability and net zero targets, and potentially conflicting views of trade associations of which the company may be a member. We encourage companies to publicly commit to aligning lobbying with the goals of the Paris Agreement in line with the Global Standard on Responsible Corporate Climate Lobbying.
	Climate Governance	Companies should establish clear oversight of the net zero transition planning and disclose the board's oversight of and management's role on climate-related issues. Executive remuneration should be linked with climate targets and delivering the transition. Climate metrics should be transparent and measurable and ideally be included in the long-term incentive plan to reflect the long-term focus of emission reduction.

	Just Transition	Companies should consider the impacts of transitioning to a lower-carbon business model on their workers and communities. We encourage companies to commit to decarbonise in line with the ILO's 'Guidelines for a Just Transition'. We encourage disclosure on how the company intends to consult with workers, local communities and other key stakeholders and support workers (i.e., job retention, training, redeploy, and/or compensation) negatively impacted by decarbonisation efforts.
	Climate Risk and Accounts	Companies should provide disclosures on risks associated with the transition through reporting, including scenario analysis. Where climate change is a material financial risk, companies should appropriately reflect these risks in the assumptions and estimates used to prepare their financial accounts. The annual report should contain an affirmation that climate risks are incorporated into the accounts via a statement that the directors have taken account of climate change in signing off the financial statements.

Where we have concerns with a company's disclosures against these criteria, we will generally support voting against the say on climate, the annual report and accounts, and/or the election of a relevant board director (particularly those that operate in high-impact sectors such as companies covered by the Climate Action 100+ Net Zero Benchmark).

Where practicable, to support voting on climate, we will support voting against the election of directors or the annual report and accounts, in the case of demonstrated poor performance based on assessments by the Transition Pathway Initiative (TPI) and/or InfluenceMap.

Nature

Nature, which includes forests, soil, air, water and all living organisms, provides essential goods and ecosystem services that underpin our economy and make human life possible. Biodiversity refers to the part of nature that is alive (i.e. plant and animal species), whereas nature also includes landscapes and physical processes (e.g. water cycle). Given the scale of nature loss, concerted action across society is needed to shift from practices with negative outcomes for nature towards those that have positive outcomes.

We encourage companies, particularly in high-risk sectors, to:

- consider and assess the most material sources of nature-related dependencies, impacts, risks and opportunities
- develop strategies to minimise, where possible, their impacts on nature loss
- consider stakeholder rights and engagement with respect to indigenous peoples and local communities

- have a disclosed policy on deforestation, detailing how the company seeks to address risks within their operations and supply chain
- adopt and disclose against good practice frameworks, such as the Task Force for Nature-related Financial Disclosures ("TNFD") and investor expectations of Nature Action 100

When assessing corporate performance against our expectations, we will use internal and third-party research for example The Coller FAIRR Protein Producer Index and Global Canopy's Forest 500 Index.

Where we have concerns with the lack of progress by management or in case of a material controversy on nature, we will consider the use of our votes on directors' nominations and/or shareholder resolutions, where appropriate.

Diversity, Equity and Inclusion

Diversity, Equity and Inclusion (DEI) is an important sustainability consideration for investors and businesses. There are opportunities for better business performance related to DEI around decision-making, employee engagement, brand and market value and aligning with beneficiary preferences. These benefits can only be fully realised when inclusion (as well as diversity) is part of an organisation's culture. We believe companies have a responsibility to manage and disclose risks and opportunities related to DEI.

As expectations around ensuring a diverse and inclusive workplace are broadening to include race, ethnicity, sexual orientation, gender identity, disability and other characteristics, we believe investors and companies should consider DEI beyond gender diversity and the proportion of female representation on company boards and consider a broader range of issues on inclusion and equity and diversity characteristics at all levels of the workforce.

In order to advance corporate progress on DEI, we support the responsible use of proxy voting rights to push for better DEI practices among publicly traded companies:

Board Diversity: The board of directors should comprise a genuinely diverse group of individuals to ensure effective, equitable and inclusive decision-making in alignment with the company's purpose and taking into consideration the interests of relevant stakeholders. This includes individuals from different professional skills and experiences, nationalities, socioeconomic background, age, race, gender, ethnicity, and culture. We believe it is important that a company's commitment to diversity and inclusion has a strong tone from the top.

- **Policy:** We expect there to be a disclosed policy on board diversity which aligns with the company strategy and succession planning for the board.
- **Measurable Objectives:** Boards should set measurable goals for increasing diversity and regularly report on the progress towards achievement over a defined timeframe.
- **Gender Diversity:** We have different expectations depending on the market and company size, but we generally expect at least a 30% of the board to comprise women. Companies listed in the UK are expected to comply with the Financial Conduct Authority diversity targets concerning at least 40% of the board to be comprised of women directors and for at least one of the senior board positions (Chair, CEO, CFO or Senior Independent Director).

- **Ethnic Diversity:** Companies listed in the UK and US are expected to comply with listing rule recommendations regarding disclosure of ethnic diversity and to have at least one director from an underrepresented racial or ethnic community. Companies listed in markets where the disclosure regime is still in development are encouraged to consider board ethnic diversity disclosure.

Where a company fails to meet these expectations, we will generally support voting against the board chair and/or members of the nomination committee.

Workforce DEI: We believe investors benefit from public transparency from companies on their DEI data management and analytics which provide better insight into the profile of the workforce. We support corporate disclosure, where legally permissible, on information related to inclusion and workforce diversity across several characteristics and metrics; the treatment of staff across the recruitment, retention, development and promotion of employee lifecycle, and how this is broken down across different characteristics and identities. We believe the disclosure of outcome-based metrics allows shareholders to better assess the effectiveness of a company's DEI programmes and whether or not companies are on track to meet their stated goals.

Pay Gaps: The gender pay gap is a measure of the difference between males' and females' average earnings across a population, regardless of the nature of the work of the individual. The ethnicity pay gap is the percentage difference between the average pay of staff identifying from different minority ethnic groups across the whole workforce. Pay gaps are not to be confused with the issue of equal pay, which involves a direct comparison of the earnings of staff carrying out the same, similar, or equivalent work for an employer.

We encourage companies to provide public disclosure on the median pay gaps across race and gender. Where there is a significant pay gap, we would expect to see disclosure on why these figures are appropriate and any actions the board intends to take to close the gap.

Pay gaps can be driven by the underrepresentation of women and ethnically diverse staff among the executive and senior leadership population. As such, we are supportive of companies committing to achieving diversity at all levels of the organisation and working on creating a sustainable pipeline of diverse talent.

Human Rights, including Modern Slavery

We support the core conventions set out by the International Labour Organisation (ILO), which include individual and collective rights to life, health, decent work, freedom of association and collective bargaining, living wage, freedom from forced and child labour, and equality and non-discrimination.

We expect investee companies to adopt processes, in line with the UN Guiding Principles on Business and Human Rights, to identify and manage human rights risks which may arise in connection to their workforce and operations, by:

- Adopting a public policy commitment to respect internationally recognised human rights.
- Consider actual and potential exposure to human rights risks and issues throughout the supply chain.
- Deploy appropriate procedures to prevent and mitigate the actual and potential risks and issues identified.
- Use qualitative and quantitative metrics to track the ongoing management of human rights risks and issues.

- Report on the risks, issues negatively impacting to people and actions the company has taken.
- Enable or provide access to remedy for those who have been negatively impacted.

We will use internal and third-party research when assessing company performance against our expectations, for example the Corporate Human Rights Benchmark (CHRB) published by World Benchmarking Alliance (WBA).

Where we have concerns regarding the disclosure provided on the human rights management system or where there is evidence of human rights abuse (such as the violation of the principles of the United Nations Global Compact or other global convention), we support voting against the election of a relevant board director.

Modern Slavery: We support the definition of modern slavery from the International Labour Organisation (ILO) which includes a situation of exploitation in which a person cannot refuse or leave because of threats, violence, coercion, deception, and/or abuse of power. We expect companies to meet their relevant legal requirements (e.g., the UK Modern Slavery Act) and proactively identify modern slavery risks and incidences across their supply chains and report on any actions taken to mitigate them.

Broader human rights-related considerations: Where relevant, we encourage companies to consider and report on wider human rights-related considerations:

- **Human Capital Management:** We encourage companies to provide reporting on key performance indicators on the workforce; including the composition of the workforce, workplace safety and standards, employee turnover, absenteeism rates, skills and capabilities, investment in training and development, employee engagement, gender diversity and other useful indicators that can help investors assess human capital management practices.
- **Decent Work:** Companies should respect, support and promote workers rights to unionise, debate, and collectively bargain or protest We expect companies to commit to paying a real living wage for all workers (including direct employees and third-party contractors)
- **Health:** Where relevant, we encourage companies to develop corporate strategy and disclosure in the areas of health and nutrition. For example, sick pay, fair drug pricing, healthy diets and antimicrobial resistance.

Where we have concerns with a company's transparency and performance in these areas, we will consider support voting against the annual report and accounts or the election of a relevant board director.

Shareholder Proposals

Shareholder proposals are resolutions put forward by shareholders who want the board of a company to implement certain measures, for example around ESG or sustainability practices. Whilst they are most common in the United States and Canada, they are becoming more common in other markets including Australia, Europe, Japan and the United Kingdom. We consider support for meaningful shareholder resolutions as a key mechanism for driving positive change in companies and are supportive of action-oriented resolutions as much as disclosure-oriented resolutions.

Aegon values the right of shareholders to submit proposals to company general meetings. While we recognise different jurisdictions have different rules in place for the filing of shareholder proposals, we are generally supportive of initiatives that seek to introduce and/or enhance the ability to submit proposals.

We believe that voting on shareholder proposals should not be used as an escalation tactic for engagement, but as a normal means of representing ownership interests to the company based on the merits of the proposal. We therefore evaluate the merit of the proposal and not the current status of engagement or other management considerations. When analysing shareholder proposals, we apply an assessment framework to judge the merit of the proposal by considering the following factors:

Value-aligned and material	Is the proposal aligned with our values and material to the company, its sector and stakeholders. We seek to ensure that our approach to voting on shareholder proposals is aligned with our engagement priorities and voting guidelines.
Prescriptiveness	The binding nature of the proposal and its prescriptiveness. We may not support proposals that seek to micromanage companies and constrain the decision-making of the board or management. We do not view it appropriate for shareholders to seek to direct companies on how they should manage their business, but to provide oversight and guidance through dialogue, engagement and voting.
Value-adding	The proposal adds value to what the company is already doing and is the right approach to address the issue. This could include whether the adoption of the proposal would provide information to shareholders to better understand how the board identifies and manages risks and encourage companies to move towards ESG best practices.
Credibility	The content and intent of the proposal, and the proponent behind the proposal. We will examine the credibility of the content and intent of the proposal and whether it has been filed to further good governance and risk management or for other reasons (i.e., political purposes or individual grievance).
Unintended Consequences	Whether the costs and risks of implementation outweigh the benefits. We will examine whether the enactment of the proposal could cause significant unintended consequences on the company's stakeholders, taking into consideration a range of relevant factors, including cost, sector, geography, and economic climate.

Environmental Proposals: We are generally supportive of proposals requesting improvements to climate change risk management, including the disclosure of a transition plan, the introduction of a shareholder say on climate, adoption of science-based GHG emission reduction targets, assessments of portfolio resilience, enhanced accounting for climate change practices; and proposals seeking improved transparency and practices on nature including biodiversity, deforestation, land management, pollution, water and waste management, plastics and packaging and the circular economy.

Social Proposals: We are generally supportive of proposals requesting enhanced disclosure on social issues such as human rights and labour impact assessments, indigenous rights and cultural heritage protection, responsible tax, living wage provisions, sick pay, diversity & inclusion, health and nutrition, animal welfare, workplace safety/conditions or discrimination, product safety, privacy protection, access to pharmaceutical drugs, and antibiotic and antimicrobial resistance.

Governance Proposals: We are generally supportive of proposals that improve governance and/or shareholder rights such as the separation of Chair and CEO roles, proxy access, corporate lobbying & political expenditure, majority voting, the shareholder right to call special shareholder meetings/general meetings, the introduction of annual director elections, recapitalisation plans to eliminate dual-class structures, the introduction of the shareholder right to act by written consent, employee board representation, incorporation of meaningful sustainability-related performance metrics into executive remuneration, improvements to remuneration structure and disclosure, and the appointment of a director with ESG or sustainability expertise.

Governance

Board Composition & Effectiveness	**Company Boards:** A company's board of directors play a key role in decision-making and ensuring the long-term viability of the company. We evaluate board composition and effectiveness, including director independence, diversity and overcommitment, when voting on director election. A board should be of sufficient size to maintain the needed expertise and independence and not be too large to become unwieldy and function inefficiently. The board should comprise a majority of independent non-executive directors, although local market practices may be taken into account. We support the definition of independence as set out in the ICGN's Global Governance Principles. Diversity in boards is encouraged as it widens perspectives and experiences, enhancing effectiveness and decision-making. Boards should disclose and report against the company's policy on diversity, equity and inclusion to the extent permitted by law which should include measurable goals and period for achievement. Boards should consider the views of the workforce for better alignment of interests and insight into operations. Employee engagement mechanisms may vary depending on market and company structure and can include appointing a designated non-executive director for employee engagement or a formal workforce advisory panel. Boards should conduct regular evaluations to ensure optimal performance and an appropriate mix of skills and competencies. Annual internal evaluation and external assistance every three years are recommended. Disclosure of the outcome and any resulting steps should be made. Overcommitment is a governance risk as service on too many boards can interfere with the performance of board members. Companies should disclose information on the external roles held by directors and the attendance records of individual board members. We may support voting against a director who is overcommitted or has a low attendance record. **Leadership:** We believe the Chair of the board should be independent on appointment. Companies should explain if the CEO and Chair roles are combined for an extended period and appoint a Senior Independent Director to offer an independent counterbalance.

Governance

	Board Committees: Boards should have specialised committees to support their oversight functions, including for audit, nomination, and remuneration. Audit and remuneration committees should be wholly independent, and the nomination committee should be at least half-independent. The audit committee should have an appropriate level of accounting and/or financial expertise. **Director Elections:** Director elections should ideally be carried out annually and individually. In markets where annual elections are not normal practice, directors should be subject to re-election at least every three years and we will oppose proposals to classify the board. In uncontested elections, majority voting should apply, while plurality voting should be used in contested elections. It is essential for companies to provide detailed biographical information on each director candidate before the vote at the meeting.
Culture and Ethics	The board should instil and demonstrate a culture of high standards of ethics and integrity aligned with the company's purpose and values at the board level and throughout the workforce. We believe corporate culture is integral in managing material ESG risks and opportunities, and the board . We encourage companies to disclose information, including how they monitor the company's culture and its alignment with the company's purpose, values and strategy, as well as any key performance indicators and remuneration incentives that drive alignment to culture. **Bribery and Corruption:** The board should ensure that management has implemented appropriate internal controls to mitigate the risk of bribery and corruption. The policies and procedures in place to manage such risks should be publicly reported to shareholders. **Whistleblowing:** The board should ensure that the company has in place an independent, confidential mechanism whereby a worker, supplier, shareholder or relevant stakeholder can (without fear of retribution) raise issues of particular concern with regard to potential or suspected breaches of a company's code of ethics or local law. **Responsible Tax:** It is considered good practice for a company's board to have a published tax policy indicating the company's approach to planning and negotiating tax matters, and to allow shareholders to monitor its handling of financial, regulatory and reputational risks in this area. We encourage country-by-country reporting in line with the Global Reporting Initiative (GRI) 207 tax reporting standard. **Political Donations and Lobbying:** The board should have a policy on political engagement, covering lobbying and donations to political causes or candidates. We encourage companies to publicly disclose their membership of trade associations and industry body memberships and any payments and contributions made. We encourage boards to regularly review, assess and address any misalignment between membership and support of trade associations against the company's policy position.

Executive Remuneration	**Remuneration Principles:** Executive remuneration should be designed to equitably and effectively support long-term sustainable success and business strategy and align the interests of executives with the company's purpose and values and shareholder interests. We encourage shareholders to vote on executive remuneration as a way of expressing their views and concerns on remuneration practices. The gap in the pay of the workforce and senior management is a significant contributor to levels of income inequality within firms and wider socio-economic consequences of economic inequality. The board should ensure the level of remuneration available is reasonable in both structure and quantum and is determined within the context of company values, internal reward structures and competitive drivers while being sensitive to shareholders and employee and stakeholder expectations. To this end, executive remuneration should not exceed what's necessary to execute the company's strategy and incentivise appropriately. Companies should disclose directors' remuneration individually and in detail so that shareholders can make a fair assessment. There should be an appropriate balance between fixed and incentive pay with disclosed limits for incentive pay. Performance metrics should be clearly disclosed, stretching, not allow for retesting, and align with a company's strategy and business model. We are generally not supportive of the grant of one-off awards, such as transaction bonuses, as they may undermine existing plans. Long-term incentive schemes should utilise performance and vesting periods measured over a timeframe aligned with the delivery of long-term shareholder value. Remuneration committees should consider deferring a portion of the annual bonus in shares and encourage executives to maintain a material share ownership in the company to enhance alignment with shareholders. We encourage the responsible use of discretion by remuneration committees to ensure incentive awards are aligned with performance and outcomes appropriately reflect the impact of significant ESG incidents. Where discretion is used, the committee should disclose the reasons that led to the application of discretion and how the adjusted outcome is aligned with the interests of shareholders. Remuneration committees should maintain appropriate mechanisms to safeguard from inappropriate outcomes, such as clawback provisions and contractual arrangements that avoid material payments on early termination and/or preferential treatment of equity on a change of control. Non-executive compensation should be structured in a way that aligns their interest with the long-term interests of shareholders without compromising independence.
	ESG in Remuneration: We encourage companies to consider incorporating meaningful ESG targets in remuneration, where these factors have a significant material impact on the company's performance. Remuneration committees should carefully consider which metrics are right for the company and its circumstances. Metrics should be of high quality, measurable, specific, aligned with the company's strategy, and appropriately weighted. Companies that operate in high climate impact sectors, should link executive incentives with

	the company's climate transition plan and emissions reduction aligned with a 1.5°C net-zero goal. If a company is from an industry where ESG issues can be significant contributors to business success and chooses not to include any such factors in executive pay, we expect the company to explain the reasons for this.
Corporate Actions	**Investment Decisions (M&A and Related Party Transactions):** Major transactions in the form of mergers, acquisitions, joint ventures and disposals are a necessary part of corporate life. We believe all such transactions should apply a disciplined approach and progress should be monitored closely to ensure the original objectives are being met. The board should develop, adopt and disclose a Related Party Transactions (RPT) Policy and have a robust process for approving, reviewing and monitoring RPTs and any inherent conflicts of interest. This should include the review of significant RPTs by independent directors to determine that they are in the best interests of the company and shareholders, and on terms that are fair and reasonable. We evaluate investment decisions on a case-by-case basis, considering their potential long-term benefits for the company and shareholders. We encourage full disclosure of relevant information and separate resolutions on issues requiring shareholder votes. We also assess potential ESG risks, including climate change risks, and consider whether ESG factors have been taken into account during due diligence.
Capital Management & Shareholder Rights	**Voting Rights:** We believe in the principle of 'one-share-one-vote' to ensure that all shareholders are equal. Deviations from this should be avoided. Where a share structure deviates from a one-share-one-vote, we expect boards to review such share structures regularly and adopt a reasonable sunset provision to phase out the structure (ideally, seven years or less from the date of the IPO). **Capital Allocation:** Companies should disclose a clear policy on capital allocation that balances the needs of shareholders, employees, and other stakeholders while maintaining a sufficient level of capitalisation and liquidity to cushion against foreseeable risks. Pre-emption is an important shareholder right to protect existing shareholders from dilution. We support authorities to issue shares that are in line with regional best practice guidelines. Share buybacks can be a valuable tool to manage capital and provide returns to shareholders. Buyback authorities should be reasonable in size, and the maximum purchase price should not include a significant premium. Boards should disclose the intended purpose of the buyback, as well as the potential impact it may have on earnings per share (EPS), total shareholder return (TSR), and net asset value (NAV). This is especially important when these metrics are used in executive remuneration **Anti-takeover Provisions:** Shareholders should have a say in takeovers without their rights being curtailed. Anti-takeover devices should not be used to shield management and entrench against the interests of shareholders. We support voting against anti-takeover provisions that serve to protect management against the interests of shareholders. are used in executive remuneration.

	Article Amendments: It is common for management to present a resolution to shareholders to modify or update the articles of association. We generally endorse such amendments as long as they are transparently stated in the meeting documents, and the amendments do not diverge from good practices, diminish shareholder rights, or go against the interests of existing shareholders. **Virtual Meetings:** Shareholder meetings should allow for both physical and virtual participation (known as a 'hybrid meeting'). Virtual-only meetings may be supported on a temporary basis in exceptional circumstances, such as due to public health reasons. Where a virtual-only meeting is held, boards must ensure the technology used allows for effective shareholder participation and the facilitation of open dialogue, allowing shareholders to voice concerns and provide feedback without undue censorship. **Voting at Meetings:** Companies should disclose meeting procedures ahead of time to enable shareholders to vote in an informed manner. This should include information on meeting format, registration, access, participant identification, shareholding verification, voting options and Q&A approach. Each substantive resolution should be voteable in its own right; therefore, the bundling of two or more matters for consideration under one resolution is strongly discouraged. All matters on the ballot should be voted by poll and voting by a 'show of hands' should not be permitted. Following the conclusion of the meeting, the voting results should be made publicly available. If 20% or more of the votes go against the board's recommendation, the board must explain what impact shareholder feedback has had on decisions taken, and any actions or resolutions now proposed
Audit & Reporting	**Annual Report and Accounts:** Financial statements and auditor reports should present an accurate and fair view of the company's position and long-term prospects. Companies should submit their annual report and accounts, signed off by an independent, competent, and qualified auditor, well before the AGM in line with high-quality auditing standards. Where we have concerns with financial reporting or audit processes, we support voting against approving the annual report and accounts, and/or the election of members of the audit committee. **External Auditor:** Statutory audits are important for shareholder protection. The auditor's independence is essential as shareholders depend on the information presented in company reports to make informed decisions. We believe that high non-audit fees can undermine auditor independence and a clear breakdown of the fees paid for audit and non-audit services should be reported. Long audit tenure may also compromise independence and objectivity and we encourage audit committees to adopt a policy on tendering and rotation in line with best practice guidelines. **Risk Management:** The board of directors is responsible for overseeing the implementation of strategic and operational risk management, as well as internal audit and control systems. We expect companies to establish board-level risk oversight and disclose any material ESG risks, and how they manage or intend to manage them. Boards should set standards for corporate responsibility and establish a culture with defined values to reduce risks to the company's sustainability and reputation.

Cyber Security Risks: In an increasingly online world, digital privacy, digital security and personal data protection are important issues. Poor cyber risk mitigation can have a significant potential impact on operations and financial performance, including loss of reputation and customer confidence. Cyber security risks should be integrated within the overall cyclical company risk management framework and relevant policies and procedures should be in place to reduce the risk of an incident.

Sustainability Reporting: We expect companies to publicly disclose information on their exposure to and management of material ESG risks and opportunities and the role of the board in overseeing sustainability-related factors. The disclosure should be aligned to material sector and industry indicators, such as those identified in the Sustainability Accounting Standards Board (SASB)'s materiality framework, now part of the International Sustainability Standards Board (ISSB) under the International Financial Reporting Standards (IFRS) Foundation. To support consistency and comparability in sustainability disclosure, we encourage companies to adopt an internationally recognised sustainability reporting standard. We particularly encourage the use of those created by the TCFD, the International Integrated Reporting Council (IIRC), the Sustainability Accounting Standards Board (SSAB) and the GRI.

Where possible, sustainability-related reporting should also seek to address "double materiality", for reporting on the company's external impacts on society and the environment, as well as internal impacts on the company's financial performance. In particular, we follow the concept of double materiality on climate-related topics, assessing both the biggest impacts climate change has on investee performance and the significant impact it has on nature, climate and society.

Where the board has not provided adequate transparency in how they address and mitigate material sustainability issues or are considered to be failing to adequately address current and emerging risks, we will support voting against the annual report and accounts or the election of a relevant board director.

Climate Change Accounting: A company's board should declare that the financial impacts of climate-related matters have been incorporated into the financial statements by providing a statement in the annual report and accounts that the directors have considered the relevance of material climate-related matters within preparation and sign off of the company's accounts. The external auditor plays an important role in ensuring that management has implemented appropriate procedures for accounting for climate risks and we encourage the auditors to disclose how climate-related risks have been considered as part of the audit process (particularly for companies in sectors that are materially exposed to climate risks).