GLOBAL VOTING POLICY

2023

AVIVA INVESTORS

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1. Introduction

Aviva Investors are committed to being long-term responsible stewards of our clients' assets. We actively exercise our rights as shareholders to promote responsible and sustainable practices in companies in which we invest. This document highlights areas of focus and priority that may lead to engagement and voting action. The topics cover issues that occur most often in our experience and are not intended to be exhaustive.

As a founding signatory to the UN Principles for Responsible Investment (PRI), we believe that companies conducting their businesses in a responsible manner with good corporate governance, high standards of integrity and a sustainable business model will deliver better long-term returns to investors, while creating value for wider stakeholders and society.

We are global investors and believe that principles of good corporate governance are universal. Our guidelines consider global best practice guidelines such as the ICGN Global Corporate Governance Principles and the G20/OECD Principles of Corporate Governance but are also informed by our investment philosophy and numerous years of voting experience.

Whilst our voting application is cognisant of the different cultures, approaches and corporate governance codes within the different markets in which we invest, we have certain expectations on specific issues that we consider as non-negotiable and which we will typically apply across all markets. We may not be able to apply some of our voting guidelines to certain markets for various reasons, including a lack of disclosure. However, in such cases, we will endeavour to promote and encourage better disclosure and over time, we will hold boards to account for failing to improve the necessary disclosures. Attention is drawn to these issues in the relevant text boxes under sections 2-9.

Our approach

We seek to establish a supportive and constructive relationship with the boards of companies we invest in. We are keen to understand the specific business and commercial context of a company and recognise that no single governance model can or should apply to all companies. We carefully consider the explanations that companies provide for departures from best practice, to ensure that bespoke arrangements provide the necessary checks, balances, and protections for investors. We look at how companies meet the spirit of good governance, not the letter, and we consider past practice in forming our opinions.

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2. Sustainable Outcomes

Businesses play an increasingly critical role in the economic, social and environmental welfare of society. We strongly support the ambition and objectives of the UN Sustainable Development Goals and expect all companies to contribute towards their successful delivery. This means striving to do no harm and seeking to maximise the positive social and environment impact of their business.

Accordingly, we expect companies to clearly articulate how sustainability and stakeholder considerations are embedded in corporate strategy, culture, business operations, and targeted outcomes. This integrated approach to sustainability objectives should be fully reflected in the annual report. We would encourage companies to adopt internationally accepted frameworks for integrated reporting such as the Global Reporting Initiative (GRI) and Sustainable Accounting Standards Board (SASB). We are also broadly supportive of the intent of the reform currently being developed by the ISSB, established by the IFRS Foundation, which is in the process of developing IFRS Sustainability Disclosure Standards (Sustainability Standards) which, once finalised and then adopted by relevant jurisdictions, we expect to provide a comprehensive global baseline of sustainability disclosures for the financial markets.

We engage with companies to understand, and where relevant, mitigate sustainability risks and the principal adverse impacts (PAI) that a company has on people and the planet. We will use PAI indicator data to inform our engagement priorities as well as to assess our impact. Where sustainability risks and principal adverse impacts are systematic or representative of market failures, we will engage with policy makers and regulators to highlight these issues and support them in taking corrective action.

In order to target our stewardship activities, we have distilled the UN Sustainable Development Goals into three key pillars: People, Earth and Climate. These are directly related to what we see as the three greatest sustainability challenges of our time: social inequality, biodiversity loss and climate change respectively. Following from this, we have identified the three sustainable outcomes we want to deliver to create a more sustainable future for people and the planet. These are a net zero, nature positive, and socially equitable society. Our voting policy aims to support delivering these three sustainable outcomes.

2.1 **Climate change**. Aviva Investors considers climate change to be the greatest systemic challenge facing society, global economies, and companies. Failure to act will have catastrophic and pervasive consequences including for capital markets and asset valuations. Consequently, climate considerations, with respect to physical and transition risk, are embedded within our fundamental investment processes, active ownership approach and voting considerations.

We subscribe to the Intergovernmental Panel on Climate Change (IPCC) position that the global temperature increase needs to be limited to no more than 1.5 degrees above pre-industrial levels in order to avert the worst impacts of climate change and preserve a livable planet. To achieve this, we must aim for net-zero emissions by 2050 at the latest. This will require unprecedented multi-stakeholder action including by individual companies. Accordingly, we expect all companies to align with this ambition and clearly articulate climate strategies and transition pathways that will deliver net zero emissions by the middle of the century. Credible Scope 1, 2 and 3 near and medium-term emission reduction targets should be set that can be approved by the independently verified Science Based Targets Initiative (SBTi). Climate strategies should also provide investors an understanding of how capital allocation will be adjusted over time to support the transition of the business and integrate biodiversity impacts and associated mitigation strategies.

Furthermore, we expect companies to report on their climate governance, strategy, policies and performance against the FSB Taskforce on Climate-Related Financial Disclosures. This includes high quality reporting of business impacts under various climate scenarios to enable investors to model different projections of underlying asset valuations and comprehensive accounting for climate-related risks in internal accounting and audit. High quality and decision-relevant climate disclosures are critical to enabling change. Boards are also expected to evidence clear Paris-aligned corporate and industry association climate lobbying and enhanced governance and disclosure of these positions

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We will not support the chair of the board or chair of the sustainability committee (or other relevant resolutions) of companies (particularly those that operate in high impact sectors) that have not made sufficient progress in providing the market with investment relevant climate disclosures including not having published or committed to publish science-based targets.

We will support climate-related shareholder proposals if similar concerns exist.

2.2 **Earth (Biodiversity, Circular economy, Waters & Oceans and Pollution).** Our planet is currently facing the Sixth Great Extinction, with an alarming 69% decrease in wildlife populations since 1970. We are rapidly destroying the natural world and the ecosystems on which we depend, with the world consuming 1.5x the level that the planet can sustainably provide every single year.

It is clear that the Earth's biodiversity and ecosystems are not being valued today, and this is what is resulting in their exploitation and depletion. However, given that 55% of global GDP is reliant on our biodiversity and ecosystems, and that the potential value of this natural capital has been estimated at $140tr, greater than global GDP at almost $90tr, we believe it's just a matter of time until it is. Therefore, not only is tackling these challenges a question of our survival, but we believe it will increasingly become an important driver of company valuations.

In order to reverse these devastating trends and transition to a nature positive economy, we believe all companies across all sectors and geographies need to operate in a manner that is consistent with the principles of a circular economy, while promoting sustainable life on land and in the ocean. Overall, we expect companies to reduce their negative impact on nature and take this into consideration from their corporate purpose & vision through to their day-to-day operations. We expect all companies to develop biodiversity action plans, taking into account emerging best-practice guidance frameworks, such as the Science Based Target Network (SBTN) for Nature.

We will not support the re-election of chair of the board or chair of the sustainability committee or equivalent where we have concerns with the company's approach to biodiversity including deforestation, or a lack or biodiversity policies and targets.

We will support shareholder proposals relating to addressing biodiversity concerns when we hold similar views.

2.3 **People.** Society is increasingly characterized by extreme and rising levels of social inequality, threatening the stability and prosperity of society and economies around the world. Failure to address the drivers of inequality have the potential to increase poverty levels, exacerbate existing social tensions and undermine political and economic stability – impeding our ability to make progress on global issues such as climate change and biodiversity loss.

In order to transition towards a more socially just and equitable society, we believe all companies need to do three things; **respect human rights, promote decent work and act responsibly**.

2.3.1 Human rights. All companies should have a robust process in place to identify and manage human rights risks and impacts in their value chain. In line with the United Nations Guiding Principles on Business and Human Rights we expect companies to have a public commitment to human rights, a robust human rights due diligence process to identify and manage human rights risks and impacts in their value chain, and an operational grievance mechanism to enable access to remedy. We will refer to the UN Global Compact Principles on Human Rights, Labour Standards, Environment and Business Malpractice and also take into consideration the findings of key global initiatives which measure and track company performance against specific sustainability indicators. This includes the Corporate Human Rights Benchmark (CHRB) as well as the World Benchmarking Alliance (WBA).

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2.3.2. Promoting decent work. Employees are a company's most important asset and responsibility. A firm's ability to attract, retain and develop high quality staff at every level within the business is central to the success of the company today and long into the future. As employers, companies also have a responsibility to respect and uphold fundamental labour rights and create environments that enable people to thrive. We expect companies to extend the same treatment to workers in the contingent workforce and in the supply chain, by setting clear expectations of business partners in contractual agreements and by assessing their own purchasing behaviour to ensure they enable respect for human rights and conditions for decent work. We assess whether companies are providing decent working conditions by considering factors such as whether they are guaranteeing a fair income (for instance by paying a living wage), providing secure employment, ensuring safe working conditions, providing social protection, supporting personal development and promoting social dialogue. We expect companies to support and promote the fundamental right to freedom of association and collective bargaining. This is particularly important during periods of transition and restructuring, when companies should adopt global standards of best practice when engaging with workers and respecting the right of unions, particularly when negotiating material changes to contractual terms. Headcount reductions should not be the first option when delivering cost cutting objectives and every alternative should be explored to retrain and relocate staff before redundancies are implemented. We would expect worker related austerity measures to be reflected in executive pay outcomes (more information on our approach to executive pay can be found in section 8).

2.3.3. Acting responsibly. Finally, we think the way companies behave outside of their direct operations and supply chains – as corporate citizens – is critical. A company's efforts in the two previous themes can be undermined if the company is producing products that are conducive to poor public health, is adopting regressive tax policies or not appropriately compliant with tax regulation, or is engaged in counterproductive lobbying practices. Taken together, this means we expect companies to manage their social footprint across the four dimensions of employees, supply chain, customers and the community in which they operate.

We will not support the re-election of *chair of the board or chair of the sustainability committee (or most relevant resolution) where we have concerns in relation to a company's:*

- *Involvement/remediation of a breach of global conventions.*
- *Approach to human rights or human rights due diligence.*
- *Failings in its duties to treat employees and workers fairly and responsibly.*

We typically support shareholder proposals calling for improvements in human rights, human rights due diligence and disclosures. The same will apply to resolutions asking for better disclosures around diversity and inclusion, so that shareholders and other stakeholders can better assess company performance in these areas.

3. Board leadership and effectiveness

We look for effective boards which safeguard shareholder interests and have the right skills and experience to take the company's strategy forward. The board is responsible for testing and approving corporate strategy and should provide clear and concise disclosure on how the board composition, governance structures and corporate culture have been designed to support this process. We welcome disclosure around how sustainability considerations have been factored into long-term corporate strategy.

3.1 Board composition and balance. The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risks to be assessed and managed. In addition to our expectations that director biographies should be disclosed, we consider it important that companies explain if there is the appropriate mix of skills, knowledge, experience and diversity required to meet the challenges and opportunities and strategic objectives of the company. We recognise the important role of the chair and independent non-executive directors in providing robust internal challenge to board discussions and ensure decisions are always made in the best interests of the company. Boards are expected to determine the most effective mechanism of understanding and incorporating the views of key stakeholders within the boardroom – and reporting to investors on their approach.

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We will not support the re-election of the board chair (or other resolutions when the chair is not up for re-election) if we have concerns with the overall composition of the board.

We will not support the re-election of the nomination committee chair (or other resolutions when the nomination chair is not up for re-election) where we have concerns with the mix of skills on the board.

3.2 Purpose, standards, values and culture. Boards are responsible for establishing a firm's purpose and building and reinforcing the values of the company. Companies that embrace a strong and positive corporate purpose and culture are less likely to experience incidents of corporate and employee misconduct, and are generally more dynamic, innovative, and better placed to develop resilient brands and stakeholder relationships, and recruit and retain high quality talent.

We will not support the re-election of the relevant board members where material cultural issues in the firm are evident.

3.3 Accountability. Boards are expected to ensure appropriate governance structures are in place to oversee the successful execution of strategy, efficient allocation of capital, and the presence of a robust risk and controls environment. We will hold the board accountable for the manner in which they discharged these responsibilities as well as the quality of disclosures and where they fail to understand their impact on wider society.

3.4 Independent chair. We have always viewed the separation of the chair and chief executive roles and in particular, an independent chair, as fundamentally important in protecting shareholder value. For non-independent chairs, we would look at the process undertaken to mitigate the risks such as the appointment of a strong senior independent director, the level of independence/challenge on the board and key committees, and whether this arrangement is for a transitional period. Further, there is a need for much better disclosure in the report & accounts as to why a non-independent chair is considered to be in the best interest of the company and its investors. We would typically use the same criteria for the chair that we use to assess the independence of other non-executive directors (see section 3.5), with one exception. Given the nature of their role, the nine-year rule is less relevant for the chair. However, we expect companies to consider succession arrangements and we would be concerned to see non-executive chairs serving longer than 15 years unless there were exceptional circumstances.

We will not support the re-election of a non-independent chair unless a company evidences exceptional circumstances. In markets where the practice of a combined chief executive and chair is broadly accepted, we will only consider supporting the structure where a company has instituted robust alternative controls that ensures an appropriate balance of power on the board.

3.5 Independence. It is vital that boards comprise of a sufficient number of independent directors to provide balance and protect the interest of minorities. Whilst we think that this number should typically be at least half of the board, we are mindful that this may not be practical for all markets and companies (such as markets that require employee representation)**.** However, audit and remuneration committees should be entirely independent**.**

In assessing the independence of non-executive directors, we consider those who have not been appointed through a formal, rigorous and transparent procedure as not independent, in addition to the following criteria:

- is or has been an employee of the company or group within the last ten years;
- has, or has had within the last three years, a material business relationship with the company, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- has received or receives additional remuneration from the company apart from director fees (or is paid disproportionately high fees), participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;

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- has close family ties with any of the company's advisers, directors, senior employees or founding family;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder (or government stake);
- has served on the board for more than nine years from the date of their first appointment.

Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided.

We will not support the re-election of non-independent directors (including executives when deemed necessary) where:
- *the board lacks sufficient independence*
- *they serve on the remuneration and/or audit committee*

3.6 Succession planning. We look to see that necessary arrangements are in place to manage succession of board members and senior management. Companies with good succession planning arrangements are generally seen to perform better over the long-term. We prefer talent to be nurtured from within companies although we recognise that in some situations an external appointment may be appropriate. To ensure that there is a formal, rigorous and transparent procedure for board refreshment and new appointments, nomination committees should not be chaired by an executive director or a non-independent chair of the company. Further, the majority of the committee should be independent.

We will not support the chair of nomination committees at companies that have failed to adequately plan for a change in leadership or have not demonstrated sufficient focus on building high caliber succession options.

3.7 Diversity We look for diversity of thought on boards and view diversity through a broad lens, including gender, ethnicity, nationality, skills and experience. Inclusive and diverse boards are more likely to be effective boards, better able to understand their customers and stakeholders, and benefit from fresh perspectives, new ideas, vigorous challenge, and broad experience. This in turn leads to better decision making. We are cognizant of different market expectations in this area and will also take into account the extent of progress being made my companies.

3.7.1. **Gender diversity**. We are strong proponents of the need for more women in senior management and on the board. Although we have noted an increase in women on boards over recent years, in many markets the percentage of female directors remains below a third. In most markets female representation in senior management and executive positions is far less than that. As such, we continue to encourage companies to implement proactive gender diversity strategies and targets to develop an inclusive culture and a robust and dynamic pipeline of future talent. Gender diversity is also one of the key PAI indicators that we prioritise in our investment process (see section 2 for further details).

We will not support the re-election of the nomination committee chair (or other resolutions when the nomination committee chair is not up for re-election) if female directors represent less than a third of the board, unless it is evident that the company has made significant progress in this area.

We will also not support the re-election of the nomination committee chair (or other resolutions when the nomination committee chair is not up for re-election) if we have concerns over the lack of females within the leadership team and where there is no credible action plan to address the issue.

3.7.2. **Ethnic diversity.** We view the balanced representation of board directors from different ethnic and social backgrounds as a critical business issue. This is essential for ensuring a deep understanding of key stakeholders

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including suppliers, employees and customers, while also securing the best available talent. Moreover, we firmly believe that companies have a responsibility to actively promote social inclusivity and act as positive agents of change. It is important that a firm's commitment to social inclusion and fairness has a strong tone from the top to be deemed credible. Accordingly, we expect companies to take proactive steps to improve the ethnic diversity of the board, senior management and the broader employee base. Simply referencing the limited size of the talent pool will not be deemed an acceptable explanation for a lack of diversity, as companies will be expected to explore non-traditional channels to access potential director candidates.

In markets where information on director ethnicity is available, we will not support the re-election of the nomination committee chair (or other resolutions when the nomination committee chair is not up for re-election) if the board lacks ethnic diversity and has not outlined a credible diversity strategy.

3.8 Over-boarding / time commitments. Board members, including some executives may become overstretched if they have taken on numerous other directorships. We expect boards and nomination committees to gain assurances that newly appointed directors (or existing directors taking on additional roles) can devote the time required with consideration given to their roles on other boards, and the size and complexity of such companies. Further, boards need to consider the impact of potential stress events in the directors' other roles such as M&A activity. These considerations should be clearly disclosed in the report and accounts. While we are willing to accept good explanations, we see four non-executive appointments of listed companies as the maximum one individual can manage properly. This reduces according to the significance of the posts, for example, an individual having more than two chair positions may be problematic. Also, executive directors should have no more than one non-executive role.

We will not support the re-election of non-executive directors where:

- *The number and/or nature of their other roles may compromise their ability to fulfil their board duties*
- *They are chair of the nomination committee and/or the board where concerns with overboarded directors haven't been addressed*
- *They have had a poor attendance record e.g. where they have attended less than 75% of board meetings without providing a reasonable explanation.*

3.9 Board evaluation. Boards should undertake a formal evaluation on an annual basis and preferably an external evaluation at least every three years. To the extent possible, the company should provide details of the outcomes of the process.

3.10 Annual re-election. We support the annual re-election of directors as this enhances their accountability to investors. Where annual re-election is not local practice, we would encourage companies to put such arrangements in place or as a minimum, we would expect directors to stand for re-election every three years. Directors should be proposed for election on an individual basis rather than by slate.

We will not support the re-election of directors where their term of office is longer than three years.

We will not support the re-election of directors in bundled resolutions.

3.11 Company Secretary. Beyond their normal course of duties, company secretaries often provide advice and counsel to the board chair, executive directors and others. They are also typically an initial contact point for investors and accordingly, should be able to respond to questions and any concerns. To ensure objectivity, a company secretary should not also be an executive director. Where companies consider there to be special reasons that justify them performing both roles, these should be adequately explained.

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4. Controls and Audit

4.1 Timeliness of information. We expect all companies regardless of their market of listing to make the report and accounts available ahead of the General Meeting, and in particular, sufficiently in advance of voting deadlines so shareholders are able to make informed decisions. Such disclosures should also cover all material risks including environmental, social and governance considerations.

We will not support the approval of the annual report and accounts (or other resolutions where appropriate) when there is poor transparency or timeliness of information.

4.2 Internal controls. It is important that boards communicate to their investors in a meaningful way on how they oversee the risk and controls environment. The board should provide clear and concise information that is tailored to the specific circumstances material to the company and should avoid using standardised language which may be long on detail but short on insight. The reporting should be fair, balanced and understandable.

4.3 Audit committee and auditors. There has been significant focus on the quality of audits in recent times (including numerous reviews on the state of the audit market). To have trust in the information a company provides, investors must be satisfied that independent audits will identify and raise any accounting discrepancies, uncertainties and aggressive management assumptions. Audit committees must do better at disclosing how they have satisfied themselves on the quality of the audit including the audit plan, scope of testing, technology and resources allocated, and validation of assumptions. Beyond governance, expertise and process, the level of independence and culture of challenge is essential for high quality and effective audits.

We will not support the re-election of members of the audit committees where:

- *There are concerns over accounting and auditing practices at the company*
- *Concerns over the competency of the audit committee members including if material accounting concerns have been identified at other companies where they were audit committee members*
- *Continuation of high non-audit fees without adequate explanations*

We will not support the reappointment of the auditors when:

- *there are concerns over the competency of the audit partner.*
- *The auditor report fails to detail how material risks such as climate change have been considered in accounting assumptions, especially if climate is considered fundamental in the business valuation*

4.4 Re-tendering and Rotation. Whilst some consider that a rotation of auditors may reduce audit quality because it takes a significant amount of time to understand the client's business, our overriding view is that changing long serving auditors will ensure a more independent and effective audit. As such, we consider companies should re-tender for new auditors every 10 years and mandatorily rotate the auditor every 20 years. We encourage companies to follow similar practices even if they are listed in markets where there are no regulations on this issue. This process should be explained in the accounts, and where changing auditors is not considered to be in the best interests of the company, this should be clearly explained. We expect these disclosures to advise whether any challenger firms have been invited to tender for part, or all of the audit. More effort to explore working with other firms will ultimately increase competition which in turn should help to improve audit quality.

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We will not support the reappointment of the auditors when:

- *they have served as auditors in excess of 20 years.*

4.5 Audit and non-audit fees. The integrity of the auditor's relationship with the company may be compromised when a firm is paid excessive consulting fees on top of fees paid for auditing services. Such arrangements have the potential to open the audit process to a wide range of conflicts of interest. Both audit and non-audit fees should be disclosed. A breakdown of the non-audit fees should also be provided.

We will not support the reappointment of the auditors where:

- *There is insufficient information on fees*
- *Auditors who have received significant non-audit fees unless these have been adequately explained*

4.6 Going concern. It is vital that companies discuss their long-term prospects, for example in the strategic report as part of the viability statement. We expect boards to include in its assessment of long-term viability a robust identification and assessment of the major risks to the business, and how any such material uncertainties may impact the business over the stated time horizon of assurance. Environmental, social and governance (ESG) risks should be included in the scope of this assessment where pertinent. We will assess these statements as part of our investment processes, detailed in section 10 of this voting policy, and engage where there are areas requiring clarification or prompting concerns. Given our long-term outlook we encourage companies to capture the 'foreseeable business period' rather than just 12 months, and to accompany this with an explanation as to why a certain period was selected in the context of the entity, its operational environment and business cycle.

4.7 Sustainable borrowing. We expect the board and audit committee to provide robust oversight of the health of the balance sheet, future funding arrangements, optimum gearing levels, and ensure consistency with the agreed risk appetite of the business. This should include stress testing the balance sheet against various earnings, cash flow, and asset and liability valuation scenarios. The audit committee should review relevant metrics related to debt covenants and ensure the company is providing suitable levels of disclosure to the market.

We will not support proposals that seek to increase borrowing limits, expand lending arrangements, or issue new debt and other interest-linked securities, where we have concerns over the sustainability of a company's absolute level of debt or relative gearing;

Where we consider there has been an egregious failing of oversight we will also vote against members of the audit committee.

5. Capital Authorities

5.1 Share Buybacks. The buying back of shares is an important mechanism of returning excess cash to shareholders and demonstrating the board's confidence in the future prospects and value of the business. However, often this can come at the expense of future investment for growth or the maintenance of a strong balance sheet. As such there may be a tradeoff between delivering near terms returns and creating long-term value. To enable shareholders to assess the relative merits of a proposed share buy-back proposal we expect the company to provide holistic disclosures on the firm's overarching capital allocation strategy and how buy-backs are evaluated within that framework. Specific disclosures should include:

1. Clear rationale for future buyback programmes beyond assurances of enhancements to earnings per share.

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Explanations should include how share buy-backs would be positive for the long-term future of the company and specifically, how the board assesses buy-backs against other investment opportunities.

2. Better disclosure on previous share buy-back programs that have been executed in the year under review. We believe there should be more specific disclosure including volumes, prices and how purchases have created long term value for the company.

3. More details on the effect of share buybacks on remuneration arrangements for executive directors and senior management.

During periods of significant market and economic uncertainty, we would expect share buy-backs to be paused before other financial and capital related decisions are made.

We will not support general authorities that:

- *Allow for shares to be bought back at a premium of more than five percent of the share price*
- *Have a duration of over 2 years*
- *Allow share repurchases of over 15% of the company's issued share capital*

5.2 Share issue authorities. Although share issuance criteria differ from market to market, in respect of authorities for the issuance of shares without pre-emption rights, we seek to ensure there is reasonable protection for existing shareholders. Given their dilutive effect, our preference is for general authorities to be limited to no more than 10% of a company's issued share capital, unless a clear justification and strategic rationale is provided. We are mindful that in a number of markets the limit is 20% and that in 2022 the UK pre-emption guidelines have effectively increased to 20% (from 10%). As such, we may support authorities up to 20% but if after having obtained approval there are concerns over the use of authority, whether that be timing, size or process, it is likely that this will result in voting sanctions for the relevant directors (particularly the Board Chair), when they next come up for re-election. Share authorities should be put to shareholders on an annual basis, as over the year there may be significant changes in company circumstances or market conditions.

We will not support general authorities to issue shares without pre-emptive rights which:

- *Allow over 20% of issued share capital to be allocated*
- *Allow a duration of over 18 months*

If after having obtained approval we have concerns over the use of authorities, we are likely to vote against the Board Chair.

5.3 Dividends. Whilst we support the majority of dividend payments, there may be occasions where the amount proposed or paid is considered too high or too low, dependent on the company's financial position and other circumstances. As such, it is important that companies explain their policy on dividends and properly justify their decisions.

Boards should not delay making changes to dividend commitments, including the fundamental rebasing of dividends, if the policy is deemed unsustainable or inhibits the company's ability to capitalise on value enhancing investment opportunities.

During periods of market and economic uncertainty, we would support temporary adjustments to dividends. However, boards should be cognisant of the important role that dividends play for savers and pensioners, when seeking to balance the interests of different stakeholders.

We will not support the re-election of the chair where we have material concerns over the dividend policy and payment.

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6. Shareholder Rights

6.1 **Double Voting Rights and anti-takeover defences**. One of our many considerations in valuing a company is how the shares are structured and the protections in place for minority shareholders. We believe that companies should have share structures that support the one share, one vote principle to ensure all shareholders are treated equally. The same applies to share authorities which may be used as anti-takeover devices.

We will not support proposals where:

- *Companies are either seeking to establish or continue the practice of double/unequal voting rights (such as amendments to articles).*
- *There are material concerns over the share structures or the use of share authorities which are not considered to be in the interests of shareholders generally*

6.2 **Untraced shareholders** – We are supportive of companies using the sale of proceeds of untraceable shares and unclaimed dividends for charitable causes. This should reside within a robust governance framework with clearly articulated objectives and regular reporting on impacts and outcomes of the program.

7. Data Security

7.1 **Cyber security.** This is an increasingly significant operational, legal, commercial and reputational risk. We expect boards to describe the extent to which they provide oversight of cyber-risks and the control mechanisms in place. This should include a clear understanding of vulnerabilities, levels of investment in technology, people and processes, and implementation of crisis management protocols. Boards must be able to demonstrate the existence of appropriate skills and experience amongst directors that will enable the appropriate level of oversight of cyber risks. The extent and manner in which these oversight responsibilities are delegated through the business will be subject to heightened shareholder scrutiny.

7.2 **Data Protection.** Increased regulation around data protection covers a number of areas including processes for obtaining consent for use of personal data, deletion of personal data (right to be forgotten) and child protection. This may result in significant costs and operational challenges for companies. We expect boards to assess the business impacts of regulations or voluntary improvements to data protection to ensure operational readiness, update compliance frameworks, crisis management protocols, and provide appropriate levels of disclosure.

Companies with a global footprint will have to operate under multiple and divergent political and legal environments. This may include managing requests for sensitive information on clients and employees from host governments and regulators. While we expect all companies to operate within the legal requirements of each jurisdiction, companies should disclose a clear policy framework on how it deals with data requests of this nature. We would also expect companies to be transparent on the number and nature of requests for data made by host governments and how these were handled

8. Remuneration

We look for executive remuneration arrangements that are aligned with strategy and are designed to incentivise and reward long-term sustainable value creation. Remuneration packages should be simple, balanced, and transparent, and deliver pay outcomes that reflect the experience of shareholders, employees and relevant stakeholders.

Remuneration packages should be grounded in an objective assessment of the value generated by the executives relative to the value creation attributable to the wider employee base, company assets and business ecosystem. In general, we believe that total executive compensations levels are unjustifiably high and expect remuneration committees to take measures to reduce the gap between pay levels of senior executives and the average employee over time. Efforts to improve diversity should mitigate, to some extent, the artificially small executive talent pool, and the inflation in executive pay that this has fuelled.

Boards should also show more restraint in approving significant pay-outs or increases to pay opportunity during periods of static

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or decline in real wages, company cost cutting initiatives and when there has been a loss in shareholder value. A strong tone from the top in sharing the burden of austerity is essential in maintaining staff morale during challenging periods. Fairness and equality need to be more prominent principles in shaping the culture of executive pay.

We also expect executives to invest a higher level of their personal wealth to better align their interests with investors. Co-investment plans are an effective way to achieve this or alternatively, the level of personal investment should be a consideration for remuneration committees in approving share grants.

When consulting on pay, we expect to see any proposed revisions placed within the context of the long-term needs of the business and the impact on each element of executive compensation. Importantly, companies should also include pension entitlements as part of the consideration of the overall package.

We will not support remuneration arrangements where we have the following concerns:

- *Pay is misaligned with the interests of shareholders and the company*
- *Fixed and/or variable pay is excessive*
- *Significant increases in compensation with insufficient rationale*
- *Poor disclosure of structure, targets or outcomes*
- *Provisions for re-testing of performance*
- *Performance conditions are not aligned with strategy or not stretching*
- *Pension arrangements are not aligned with the general workforce*
- *Discretionary payments or retention awards have been made*
- *Failure to integrate material sustainability targets into variable pay*
- *Pay outcomes have not been adjusted following a significant ESG incident/failing*
- *Unjustifiable increase in the executive pay ratio relative to the median for the workforce*

For material issues, or if previously flagged concerns have not been addressed, we will consider voting against the chair of the remuneration committee and the chair of the board.

We have provided further details of our approach to evaluating remuneration proposals in Appendix 1.

9. Investment trusts

9.1 Independence. Where the members of investment trust boards are all non-executive directors, these directors should ideally all be independent. Further we believe that lengthy service can compromise the independence of directors, even for investment trusts.

We will not support the re-election of non-independent directors if there is more than one non-independent director on the board, unless there is strong evidence of regular board refreshment.

9.2 Re-issue of treasury shares. Share issuance authorities should be accompanied by a commitment that shares will not be issued at a discount to Net Asset Value (NAV). We would need to be convinced that any re-issuing of treasury shares at a discount is in the best interests of shareholders, even if the price represents a premium based on the average discount at which all shares held in Treasury had been repurchased.

We will not support the issuance of shares including the re-issue of Treasury shares at a discount to NAV unless there is exceptional justification provided demonstrating that it is in the best interest of shareholders.

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10. Our process

Aviva Investors voting policy has been designed to address the themes and issues that are most critical to sustainable business performance and to drive positive outcomes for our clients and broader society. Our positions have evolved and crystalised through decades of experience as an active and responsible global investor whilst being informed by the issues that are most important to our clients. We believe that our clients are best served through the adoption of a single centralised voting policy and approach under which all funds and strategies will be voted in the same way. This ensures that we are able to communicate a consistent position to companies on best practice, emerging issues and judgements on complex specific issues.

In order for our stakeholders to understand our stewardship philosophy, policy and activities, we have set out our broad process as follows:

10.1 Oversight. Primary responsibility for oversight of our policy lies with the Chief Investment Officer of Equities and the broader Executive Team at Aviva Investors.

10.2 Integration with fund managers. Decisions with respect to our active holdings are made in conjunction with our fund managers to ensure that all special circumstances are appropriately taken into account.

10.3 Proxy agencies. We use proxy voting agencies to support research and operations. However, voting decisions are retained in-house and executed in accordance with this policy.

10.4 Abstentions. We seek to provide clear communication to investee companies of our support or opposition to management proposals. Hence, in the majority of cases we will cast our vote in favour or against a resolution. However, we may abstain on resolutions in very limited circumstances. This typically relates to occasions where companies have made some positive changes but we are unable to support the entirety of a proposal, and shareholder resolutions where we support the spirit but not the letter of the resolution.

10.5 Shareholder Resolutions. The facility for shareholders to propose voting items at a company general meeting is an important accountability mechanism and shareholder right. We will review shareholder resolutions on a case by case basis, taking into account the spirit and letter of proposals, the company actions to date, and responsiveness to the proposal, and alignment of the resolution with Aviva Investors' views on governance and sustainability best practice. We are likely to support resolutions that press companies to take action on critical sustainability issues such as climate change and human rights, even if our views are not 100% aligned with the wording of the resolution. We will also support proposals calling for greater transparency and governance oversight of political lobbying activities. However, we are unlikely to support resolutions that are deemed too prescriptive and focus company efforts on issues that are not deemed material.

10.6 Engagement with companies. As we own a large number of securities we are unable to engage with all companies ahead of their shareholder meetings to discuss our voting intentions. We will endeavour to do so where we hold at least 2% of the stock or where we are a top 10 shareholder. Similarly, with remuneration consultations or offers of meetings on corporate governance issues, we will prioritise our resources by the size and value of our holding, and the materiality of any concerns. We will engage to mitigate material sustainability risks and principal adverse impacts in line with our beliefs on corporate sustainability set out above. In addition, we write to companies on an annual basis to advise of any changes to our voting policy and where our voting records and rationale can be found on our website.

10.7 Collaboration with other stakeholders. We maintain an active participation in formal and informal investor networks promoting dialogue between institutional investors and other stakeholder groups including NGOs, to press for positive change in corporate policies and behaviours, as well as policy and regulatory reform. However, we are careful to stay within Competition Law Regulations.

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10.8 Inside Information. The decision as to whether we should become insiders is taken on a case-by-case basis. In specific circumstances we are willing to be made insiders. However, we prefer to have a clear idea of the expected period we are likely to remain inside. Our preference is to be insiders for as short a time as possible (days rather than weeks). Aviva Investors operates one global Stop List in respect of all its trading activities so when a security is added to our Stop List, trading is restricted in respect of all Aviva Investors clients, as well as for Personal Account Dealing.

10.9 Conflicts of interest. Aviva Investors takes its fiduciary duties to clients and beneficiaries very seriously, and we apply a consistent and transparent approach to the management of conflicts of interest in accordance with local regulation. Our principal objectives when considering matters such as engagement and voting are always to act in the interests of our clients and underlying beneficiaries, and to treat all clients and beneficiaries fairly.

Aviva Investors manages conflicts of interests when voting through the following processes:

- making companies aware each year of our areas of focus on governance matters, including our Global Voting Policy. This enables boards to take our expectations into account without a conflict coming into play, and also demonstrates our commitment to a transparent process and policy on behalf of all client funds;
- being transparent to companies and to clients on our voting decisions and the rationale for such decisions;
- making our voting decisions public on a company by company basis so our voting record is transparent and available for external scrutiny;
- when agreed with clients, we will act on their specific voting direction (for their holdings) including the use of independent third party instructions; and
- voting process and decisions, including incidents of potential conflicts, are subject to Aviva Investors' internal audit and controls procedures

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Appendix 1: Remuneration Principles

The following principles guide out approach to voting on binding and advisory remuneration proposals.

We look at the total package and outcomes and form an overall view of the compensation arrangements. We also look at a company's track record both on pay and governance. We expect companies to explain and justify their pay arrangements in a meaningful way that is specific to the business and its strategy rather than statements that are boilerplate and generic.

1. General

A. **Remuneration committee.** We would expect remuneration committees to be fully independent.

B. **Simplicity**. We prefer pay arrangements that are clear and understandable. Cutting down on numerous plans would be one way of improving clarity. Care needs to be taken to ensure that performance conditions are not convoluted, repetitive or overly complex.

C. **Discretion**. We believe that remuneration committees should retain some level of discretion to ensure that remuneration outcome closely reflect company and management performance and stakeholder outcomes. However, the scope and limits to discretion should be clearly outlined to shareholders beforehand.

D. **Identifiable limits**. We would expect an identifiable limit for each of the different components of remuneration. This need not necessarily be in monetary terms but expressed in a way that will allow shareholders to understand the potential maximum payouts.

E. **Quantum**. Excessive pay can represent a risk to the company both in terms of encouraging the wrong behaviours within the firm and also for its reputation. Remuneration committees should consider setting a limit on the maximum level of 'realised' pay in a given year and structure policies accordingly. This could include additional deferrals or phasing of pay-outs that exceed the stated cap. We will make our assessment based on the explanations companies provide for the overall pay levels and other exceptional factors.

F. **Pay Ratios**. This is an important tool for investors to assess the appropriateness of executive remuneration arrangements having regard to both historic and sector trends. While we acknowledge that ratios will fluctuate year-on-year, in general we would expect the number to trend downwards over time.

G. **Balance of pay**. The right balance between fixed and variable pay will depend on the company. However, in general we prefer to keep fixed pay lower with higher pay for exceptional performance, while guarding against incentivising inappropriate risk taking. Companies should justify why the balance is appropriate.

H. **Sustainability.** We would expect short and long-term variable pay to include robust and relevant sustainability metrics that have a meaningful impact on total pay outcomes. This should include climate related objectives for high carbon emitting sectors.

2. Salary & Benefits

A. **Pay increases and salary positioning**. Companies should provide good reasons for any pay increases. We are supportive of rewarding exceptional performance over the long-term, but companies should explain pay increases in the context of additional returns to shareholders, how other employees will benefit and why it is deserved. Falling behind the pay benchmark is not a sufficient reason on its own. Companies are unique and directors' pay should therefore reflect these differences. Care should be taken when using benchmarks as individual roles and companies can be very different.

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B. **Substantive salary increases post acquisition.** Salary increases solely based on inorganic growth is not deemed appropriate. The integration/success of an acquisition needs to have been proven first. If retention and integration challenges are considered to be key issues, then we would prefer this to be reflected in performance-related pay.

C. **Salaries / remuneration packages for new joiners**. Unless there are exceptional circumstances, salaries/pay packages for new directors should not be more than their predecessors, particularly if predecessors were in post for a significant amount of time and delivered strong performance.

D. **Pensions**. Executive pension entitlements should mirror benefits provided to the general workforce.

E. **Tax arrangements**. Adjustments to individual tax arrangements should not result in additional costs to the company.

F. **Benefits**. Where executives receive additional benefits these should not be excessive.

3. Incentive Plans

A. **Performance measures and alignment to long term strategy**. The outcomes of annual bonus and share plans should be closely aligned with the strategic business targets communicated to the market. We expect earnings and other performance measures to be constructed so that measurements are transparent, minimise arbitrariness and do not skew vesting in favour of participants. We do not support 'cliff-edge' vesting and prefer sliding scales which begin from an appropriately low base. All performance measures should be clear and transparent with specified measurable metrics and targets.

Targets should include environmental, social and governance (ESG) targets where performance in these areas is key to strategy and the sustainability of the business. This should include climate related objectives where a company faces material transition risk. ESG considerations should also be part of malus and clawback mechanisms or incorporated as an underpin.

We prefer Total Shareholder Returns (TSR) to be a component of LTIP awards. We are aware of the shortfalls of TSR but no performance measure is perfect and many are open to manipulation. Importantly, it is the measure that most aligns company performance with the shareholder experience.

B. **Payment at median**. Companies should be careful not to deliver excessive payouts for median or threshold performance. Bonuses at target should not exceed 50% of the maximum while long term awards should limit vesting for median performance to 25% or below. We would expect an inverse relationship between the quantum of the award and the percentage vesting for threshold performance.

C. **Alternatives to traditional LTIP arrangements.** In principle we are supportive of companies departing from traditional LTI arrangements provided companies are able to clearly demonstrate why the change is in shareholder interests. We will carefully consider proposals to introduce restricted shares on a case-by-case basis. Companies should provide clear justification of the benefits to shareholders of granting executives share awards without performance conditions. When considering the merits of such proposals, we will evaluate the discount levels applied to the total award, the business rationale, holding periods, and the long-term vesting history of previous performance based share awards.

We are supportive of share options (or other forms of share appreciation rights) as an alternative structure for long term incentive arrangements. Whilst there are issues and past practices that have led to share options falling out of favour, such as dilution, large block grants and their impact on accounting, none of these are insurmountable. We think companies should consider variations of share options or Share Appreciation Rights (SARs) that have the same alignment as past plans but with fewer shortfalls.

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We are also supportive of co-investment plans where they encourage executives to invest their own money into company shares, so long as these are not in addition to other LTI arrangements.

D. **LTIP Performance periods**. We expect long-term schemes to be a minimum of three years.

E. **Deferral of variable pay**. We expect companies to implement meaningful deferral periods for vested awards under both short and long-term incentive arrangements.

F. **Fall in share price.** Where the share price has fallen substantially during the year, we would expect the remuneration committee to reduce the size of long-term incentive awards to reflect this.

G. **Dilution**. New share awards, when aggregated with outstanding awards under all of the company's other schemes, should not exceed 10% of the issued ordinary share capital (or 5% in respect of executive/discretionary schemes in any rolling 10 year period).

H. **Retesting**. We do not support the retesting of performance conditions for incentive plans.

I. **Pro-rating for time for departing directors' LTIP awards**. LTIP awards for departing directors should be prorated in size while maintaining the initial vesting schedule with respect to the vesting period and performance conditions.

J. **Change in control**. There should be no automatic waiving of performance conditions following a change in control and we expect awards to be pro-rated for performance and time.

K. **Malus and clawback**. Pay arrangements should enable performance adjustment or post-vesting clawback for executive directors' variable pay and specify the circumstances in which the remuneration committees would consider it appropriate to act.

L. **Discretionary and retention payments**. We do not approve of discretionary payments and do not believe retention payments work. A coherent remuneration policy should be sufficiently retentive and reward exceptional performance.

M. **Shareholding requirements.** We expect management to build a meaningful shareholding in the company. Investments from their personal wealth will be viewed favorably while unvested shares from outstanding incentive plans should not count towards minimum holding requirements.

N. **Holding periods for executives retiring from the business**. To ensure management are thinking about the long-term health of the business, including succession arrangements in the period before they retire, we consider it good practice that any bonuses that are subject to deferral in shares, should remain deferred upon their retirement, until the end of the holding period. The same should apply for LTIP performance and holding periods. We also consider that shareholding guidelines should continue for a period after executives have retired from the business.

O. **Collateral and hedging.** We are not supportive of director shareholdings being used as collateral for loans or any form of hedging.

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4. Recruitment & Leaver Arrangements

A. **Recruitment policy**. We understand the need for flexibility in the event of external recruitments. However, we expect remuneration committees to adhere to the following framework:

I. Any breach of normal limits should still be within the maximum limits set for payments for exceptional circumstances. We do not include buyout awards in our assessment as we recognise that there may be occasions when it is necessary to exceed the maxima quoted in the policy.

B. **Recruitment payments**. Where recruitment payments are made we consider the following:

I. Justification of the quantum of awards

II. Whether the incentives are subject to performance conditions (only vested incentives from the previous employer should be compensated for without performance conditions)

III. Whether the compensation is granted in restricted shares

IV. The extent to which recruitment awards are a fair reflection of the expected value of payments forgone.

C. **Exit payments**. Exit payments should be no more than 12 months base salary and should only be made when deserved and legally obligated. We acknowledge that market practice in some countries allows for more than 12 months pay on termination of contracts and in such case we will look to see if there are any mitigating factors for us to support such arrangements.

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