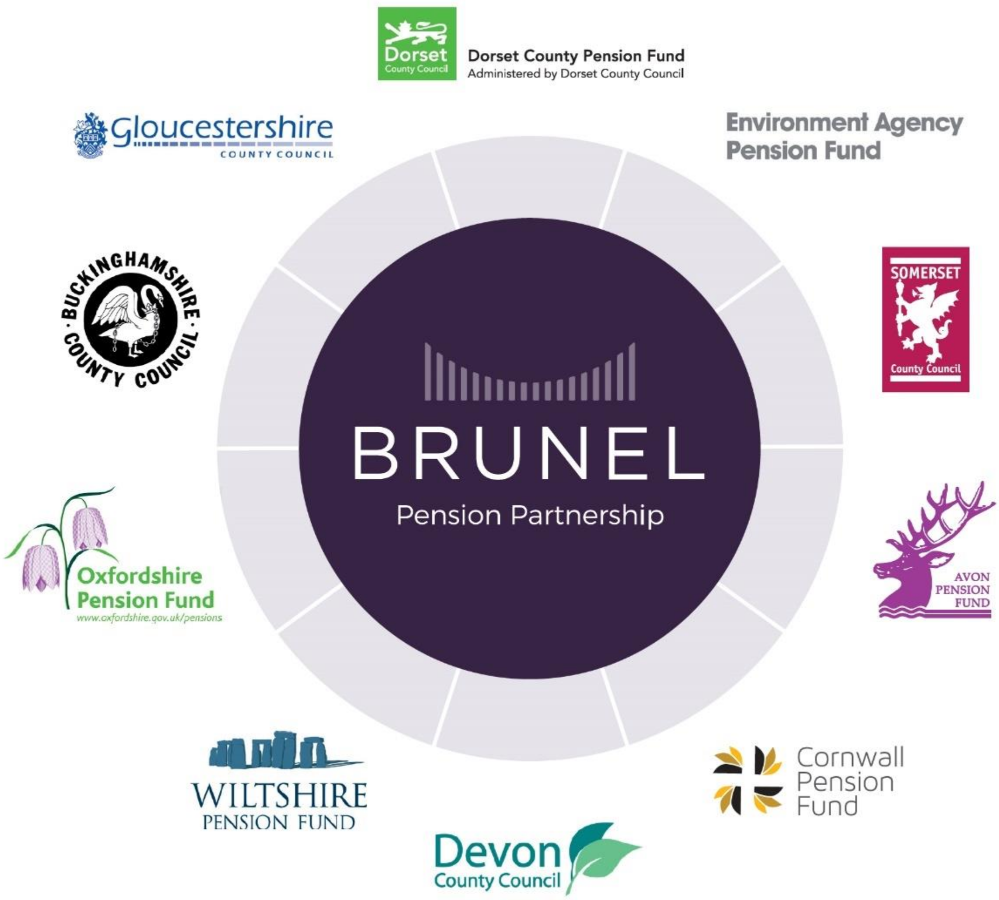
Brunel Pension Partnership Ltd
Responsible Stewardship
Policy Statement



Approved by the Board of Brunel Pension Partnership Ltd 23 04 2020

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Brunel's Responsible Stewardship Policy

Brunel Pension Partnership was formed in July 2017 and will oversee the investment of the pension assets (around £30bn/$40bn) of ten Local Government Pension Scheme funds in the UK. We use the name 'Brunel' to refer to the FCA-authorised and regulated company.

Brunel aims to deliver stronger investment returns over the long term, protecting our clients' interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.

Responsible Stewardship is essential if Brunel is to deliver on these aims. Stewardship is defined as the **job of taking care** of something, such as a company or property. As investors, we use the term assets.

Brunel is committed to responsible stewardship and seeks to contribute to the 'care' of all the assets under its remit. We believe that **active ownership** is how we can contribute to the care, and ultimately long-term success, of those assets. We do, however, recognise the approach needs to be tailored to each type of investment (asset class), take account of the level and legal structure of ownership, regulatory expectations and limitations, and be mindful of differences across geographies.

The purpose of this policy is to set out Brunel's overall approach to Responsible Stewardship, and should be read in conjunction with the Responsible Investment (RI) Policy. The RI Policy sets out the development, accountability, review and compliance for all related policy statements.

The Brunel Board approved and is collectively accountable for Brunel's Responsible Stewardship Policy, but operational accountability on a day-to-day basis is held by the Chief Responsible Investment Officer. The policy is reviewed no less than annually.

As Brunel builds up its assets under management we will develop policy guidelines to set out the active ownership approach across each asset class. The roll-out is expected to be:

- Listed equites (passive and active)
- Private markets (property, infrastructure, secured income, private debt and private equity)
- Listed corporate debt (UK and global)
- Other fixed income
- Liquid alternatives

More information as to the definitions and objectives of these asset classes is outlined in Our Portfolios on our website.

Publicly listed equities account for nearly half of the assets that Brunel is expected to manage and is the most developed area of active ownership in the investment industry. We have therefore included our approach to that asset class within this document.

Public Policy, UK and Global Codes of Best Practice

We are global investors and apply our principles of good stewardship globally, whilst recognising the need for local market considerations in its application. As a UK-based investor our key reference points are the **UK Stewardship Code 2020** and **UK Corporate Governance Code** and guidance produced by UK industry bodies, for example, the **British Venture Capital Association** (BVCA – private equity) **RI toolkit**.

We are committed to supporting policy makers, regulators and industry bodies in the development and promotion of the codes and supporting guidance. We publicly disclose all our consultation responses on our website.

We also support the policy makers in other countries where practicable, but generally will contribute to a collaborative consultation submission. We will disclose a summary of our public policy advocacy work.

Stewardship Codes

Brunel publishes an annual **Responsible Investment and Stewardship Outcomes Report** which is intended to meet the best practice requirements of the UK Stewardship Code 2020 and support Brunel's compliance with the Shareholder Rights Directive II.

Although the UK Stewardship Code 2020 does not require a compliance statement, we have a statement which is operational for 2020 and reflects specific requirements from other applicable global codes, for example, the Japanese Stewardship Code, which has additional requirements on resources, skills and knowledge. The compliance statement is available separately on our website.

UK Corporate Governance Code

We encourage companies either to comply with such codes or to fully explain their reasons for non-compliance. However, good governance cannot be guaranteed solely by adherence to the provisions of best practice governance codes. Therefore, we urge companies to consider carefully how best to apply the principles and the spirit of such codes to their own circumstances and to clearly communicate to investors the rationale behind their chosen approach.

Collaboration

We believe working collaboratively is essential to delivering our objectives as the scope and scale of our investments means that we need to draw on the expertise of others, not least the asset managers we employ. In addition to managers and specialist advisors, we are supporters of a number of organisations and initiatives that enable our ability to work collaboratively – the key ones are outlined in our RI Policy. Our reporting will evidence our activities.

Skills and Knowledge

One of Brunel's investment principles is that "decisions are informed through experts and knowledgeable officers and committees." We are committed to having a strong, central core of expertise that has the breadth and depth of knowledge to manage the assets at the appropriate level and to provide scrutiny on the levels of skills and knowledge of our appointed asset managers and specialist service providers. Our website provides overviews of the whole team summarising their skill and knowledge.

Transparency

Good stewardship requires a good understanding of the assets we invest in. Working closely with company Boards is one of the most effective means to achieve this but requires the establishment of mutual trust and, at times, confidentiality. We also acknowledge that when working collaboratively with other investors we must respect other disclosure requirements and restrictions. Being pragmatic to ensure we focus on the outcomes of active ownership does not diminish Brunel's commitment to transparency.

We will publish regular updates on our stewardship activities, including an annual summary of our engagement plan, quarterly engagement and voting activity analysis, voting records no less than twice a year and our annual PRI Transparency report.

We will publish an Annual Responsible Investment (RI) report which will show the progress we are making on our RI and Responsible Stewardship activities.

Conflicts of Interest

Brunel has a robust approach to conflicts of interest, with comprehensive controls operating at all levels within the business. The effective management of potential Conflicts of Interest is a key component of our due diligence on all asset managers and service providers, as well as our ongoing contract management. More details of Brunel's approach are available on our website.

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Listed Equities

A listed equity is one where you own a part or 'share' of a company that is publicly listed. In other words, anyone can buy it. As part of owning publicly listed companies, Brunel, on behalf of its clients, will have the opportunity to vote at company meetings (AGM/EGMs[1]).

We believe well-governed companies are critical to the creation of long-term value for shareholders, other stakeholders, society and the environment. We expect companies to comply with regulation and other company law in the countries in which they operate, as well as with any relevant regional or international requirements.

To support the development of and sustain well-governed companies, our active ownership focuses on two interrelated activities: engagement and voting. We have included an extract from the **Principles of Responsible Investment** guide to active ownership, which explains some of the key concepts and terms used in the policy.

Defining Engagement and Voting Practices

Active ownership is the use of the rights and position of ownership to influence the activities or behaviour of investee companies. Active ownership can be applied differently in each asset class. For listed equities, it includes engagement and voting activities.

Shareholder engagement captures any interactions between the investor and current or potential investee companies on ESG issues and relevant strategies, with the goal of improving (or identifying the need to influence) ESG practices and/or improving ESG disclosure. It involves a structured process that includes dialogue and continuously monitoring companies. These interactions might be conducted individually or jointly with other investors.

Collaborative engagements include groups of investors working together, with or without the involvement of a formal investor network or other membership organisation.

Voting refers to the exercise of voting rights on management and/or shareholder resolutions to formally express approval (or disapproval) on relevant matters. In practice, this includes taking responsibility for the way votes are cast on topics raised by management, as well as submitting resolutions as a shareholder for other shareholders to vote on (in jurisdictions where this is possible). Voting can be done in person, during an Annual General Meeting (AGM), or by proxy.

Ballot items are not always closely related to environmental and social issues and cover financial performance, risk management, strategy and corporate governance matters.

Voting and engagement practices are interrelated and feed into each other; one can be the initiator or the complementary tool of the other.

Source: PRI, **Introduction to active ownership in listed equity**, February 2018.

[1] AGM – Annual General Meeting. EGMs – Extraordinary General Meetings.

Engagement

The engagement objectives for Brunel are identified in three ways. Firstly, top down, looking at Brunel's holdings and identifying thematic areas of risk and opportunity. The thematic priorities as identified in the RI Report are:

- UK regulation and policy framework
- Climate change (physical, adaptation and mitigation)
- Supply Chain (water, plastics, modern human slavery)
- Human capital & diversity (inclusion, welfare)
- Cost and Tax transparency
- Cyber security

Secondly, bottom up, reviewing our exposure to individual companies and to specific ESG risks and opportunities. Companies will be identified through asset managers, collaborative engagement forums, external research and Brunel's own internal ESG risk analysis. Thirdly, reactively to event risks, for example, after a specific, usually significant, incident. The companies that we actively engage with will be prioritised based on our level of exposure and the probability of successful outcome.

In some instances, engagement will take place with companies not in the portfolio but covered by thematic engagement or within the wider supply chain.

Engagement implementation will be undertaken by asset managers, our specialist provider Federated Hermes EOS and via collaborative forums. However, Brunel will seek to undertake direct engagement where we feel that this will add value.

Engagement Provider

Brunel selected Federated Hermes EOS (EOS) as our appointed engagement and voting services provider following competitive tender and a comprehensive due diligence process. The appointment enables a wider coverage of assets and access to further expertise across different engagement themes. Brunel provides input into EOS Engagement Plan which is updated annually. We are also in regular contact with EOS and receive comprehensive reporting on the engagement being undertaken. Summary reports are publicly available on our website. In line with any procurement of third-party services, there is monitoring processes in place to ensure delivery of service meets expectations, and in this instance that there is continued alignment of engagement and voting priorities and practices.

Engagement Escalation

Brunel will operate a clear process of engagement escalation. Again, this will be supported by both our asset managers and by Federated Hermes EOS. The escalation route starts with alerting companies to areas of concern through letters and face-to-face meetings. Initial engagement will usually focus on communication with the appropriate operational lead but will escalate as needed to the Board and Chair. Where a company Board is unresponsive and not already part of a collaborative engagement we will reach out to other investors. Addressing AGMs together with voting is an intrinsic part of the escalation process, including co-filing of shareholder resolutions. A recommendation to divest will be the last resort, but appropriate if we believe the risk to long-term shareholder value is being undermined.

One example of escalation is that we may choose from time to time to “pre-declare” or publicly announce our voting intentions for resolutions, for example, against the re-appointment of a Chair where there are serious governance concerns not being addressed or in support of a shareholder resolution relating to climate disclosure. On such occasions there will have been prior extensive engagement, a clear risk to shareholder value, and the objective will be to raise awareness with other investors to the risks presented. This type of action will be used sparingly as it is generally used when other attempts at active ownership have not proved successful.

Voting

Brunel aims to vote 100% of all available votes. However, as with any process, errors and issues can occur. If the level of voting drops below 95% this would raise a cause for concern, be investigated and corrective action identified. Brunel will put in place the appropriate mechanisms to monitor voting execution.

Voting will be guided by a single voting policy for all assets managed by Brunel in segregated accounts. A segregated account is one in which the ‘shares’ are held separately from other investors and we are able to instruct the voting directly.

Voting will also be undertaken in the pooled listed equity funds in which Brunel invests. The most significant of these are our passive or index pooled funds. A pooled fund is one which has multiple investors in the same account. Pooled funds are used by pension funds as they are a very cost-effective way to get exposure to a large, diverse universe of companies. As with most pooled funds, our index provider is not bound by our specific voting guidelines. However, stewardship capability and implementation are important to the selection of our pooled index provider. **The below link provides information on Legal and General Investment Management’s approach to active ownership**.

We have a mechanism with our pooled index provider that on a limited number of occasions we will be able to direct voting for our pooled holdings so that it is aligned with our active segregated holdings. By working closely with our pooled index provider on engagement and voting we will aim for greater alignment so that the mechanism may not be necessary in the future.

Split Voting

In the spirit of pooling Brunel strives to operate with a single voice but is also committed to ensuring it meets needs of clients. We have made provisions to allow clients, by exception (where they have a specific investment policy commitment), to direct votes including the pooled funds as an elective service. Client funds need to submit the request in line with the issuance of the meeting notification, usually not less than 2-3 weeks prior to an AGM/EGM. Our voting procedure outlines the process in more detail.

Share Blocking

Share blocking is a mechanism used in some markets and results in shares being frozen, meaning that they may not be traded for a specified period prior to a shareholders' meeting. Where share blocking operates, a pending trade may fail if it settles during the blocked period. Our voting procedure includes approval requests from managers if blocking is operating.

Voting Process

Implementation of the Voting Policy will be supported by Federated Hermes EOS, our appointed engagement and voting services provider. This policy will guide their recommendations alongside other country and region-specific guidelines.

Voting decisions will be informed by investment considerations, consultation with portfolio managers, clients, other institutional investors and our engagement with companies Another consideration is our work with collaborative forums and partners, for example, the Local Authority Pension Fund Forum (LAPFF), which acts as a collaborative framework for LGPS issues and voting. Brunel will be mindful of LAPFF voting alerts or other collaborative group recommendations but not bound by them. We will support shareholder resolutions and consider co-filing where we feel this is the appropriate course of action. We will not support shareholder resolutions where they are overly prescriptive and subvert the role of the Board.

Where a decision is made not to support the Board's recommendation on a resolution at a company, we aim to engage with the company prior to our vote. This will generally be at companies with whom we already have an engagement relationship, at other larger companies where we hold a material stake of the share capital or where there is a material concern. We will also seek to inform such companies of any recommended votes against management together with the reasons why. Where this isn't prior engagement, we will inform companies on a best efforts' basis.

Executing Voting Instructions

The industry process for executing votes, the 'voting infrastructure', is unhelpfully complicated. While there will be exceptions for some markets, the process will follow this path:

1. Notification of an AGM/EGM is sent to Brunel's Custodian, State Street
2. State Street will generate the share positions using its digital voting platform, Broadridge
3. Broadridge will issue electronic ballots* to the designated proxy voting provider, ISS
4. ISS will share the electronic ballots and research to our appointed advisor, Federated Hermes EOS

5. Federated Hermes EOS (EOS), with reference to our voting guidelines, will issue a recommendation 'alert' to Brunel and the asset manager/s who hold that company
    - Where Brunel does not agree with EOS recommendation, Brunel will discuss with EOS and the recommendation updated accordingly
    - Where the asset manager identifies a difference to the EOS recommendation they are asked to report quarterly to Brunel. In exceptional circumstances where asset managers do not agree with EOS recommendation, the manager will contact EOS to discuss with the analyst. If a consensus is reached, the voting instruction will reflect that view and Brunel will be informed if there has been a change
    - Where consensus is not reached, Brunel, after taking feedback from Federated Hermes and the asset managers, will direct the voting recommendation
    - Where there are multiple asset managers who hold a stock and one or more manager does not agree with the recommendation, Brunel, after taking feedback from Federated Hermes and the asset managers, will direct the voting recommendation
6. Recommendations become vote instructions and are issued via the ISS and Broadridge platforms to sub custodians, the registrar and the issuing company where the vote is tabulated
7. Analytics of voting activity and voting records by Brunel Client are generated every quarter and loaded onto the Client Portal
8. Brunel voting record are published not less than twice a year on Brunel's website.

*where Broadridge does not generate an electronic ballot, ISS will use its own systems or undertake manually, based on the information sourced directly.

Mergers and Acquisitions

The process for voting on 'standard' corporate actions will follow the same process as above, but managers will be required to ensure their corporate actions team are notified of the recommendation. For mergers and acquisitions the same process will apply except for contentious activity. For a contentious merger or acquisition, Brunel will direct the voting.

Stock Lending and Share Recall

We believe that stock lending is an important factor in the investment decision, providing opportunity for additional return, but that lending should not undermine governance, our ability to vote or long-term investing. We will recall stock where required. There may be some instances where we decide not to stock lend, particularly where there are concerns of borrowers deliberately entering transactions to sway the outcome of a shareholder vote. Our approach to responsible stock lending is outlined in further detail in a separate policy.

Voting Policy

This section of the document sets out Brunel's Voting Policy. It provides broad guidelines within which voting decisions are assessed and implemented on a case-by-case basis. A degree of flexibility will be required when interpreting the guidelines to reflect specific market, company and meeting circumstances.

Below we set out a range of principles on key topics which sets out our expectations of companies and their Board and management. If any of these are not met, then this will contribute to the assessment of whether to support a relevant resolution proposed by management or by shareholders at a company's annual or extraordinary general meeting or otherwise in writing.

Our Responsible Investment policy sets out our engagement themes which are used to focus our engagement programme. Some engagement themes do not have a directly related voteable action – for these areas it can be more effective to communicate views via engagement with companies. We have included below our engagement outcomes to demonstrate how engagement and voting is linked and to indicate how we will engage and/or vote on each principle. Where we feel that companies are consistently not being receptive to engagement, we will consider voting to oppose relevant Board members or resolutions. Omission of an issue in the voting policy does not preclude a vote against a particular resolution.

Brunel Voting Principles

What Companies Can Expect from Brunel

- **Voting:** We will always seek to exercise our rights as shareholders through voting
- **Consistency:** We aim to vote consistently on issues, in line with our Voting Policy, applying due care and diligence, allowing for case-by-case assessment of companies and market-specific factors. We will consider our engagement with companies when voting
- **No abstention:** We aim to always vote either in favour or against a resolution and only to abstain in exceptional circumstances or for technical reasons, such as where our vote is conflicted, a resolution is to be withdrawn, or there is insufficient information upon which to base a decision
- **Supportive:** We aim to be knowledgeable about companies with whom we engage and to always be constructive. We aim to support Boards and management where their actions are consistent with protecting long-term shareholder value
- **Long-term:** We seek to protect and optimise long-term value for shareholders, stakeholders and society
- **Engagement:** We support aligning our voting decisions with company engagement. We will escalate the vote if concerns have been raised and not addressed in the prior year

- **Transparency:** We will be transparent and publish our voting activity no less than twice per year

What Brunel expects of Companies

- **Accountability:** The directors of a company must be accountable to its shareholders and make themselves available for dialogue with shareholders
- **Transparency:** We expect companies to be transparent and to disclose, in a timely and comprehensible manner, information to enable well-informed investment decisions. This includes environmental and social issues that could have a material impact on the company's long-term performance
- **One Share, One Vote:** We support one share, one vote. Where a company issues shares with differing rights they must define these rights transparently and clearly explain why rights are not equal
- **Informed votes:** We expect companies to make available to shareholders complete materials for general meetings and where possible in advance of the legal timeframes for the meeting
- **Development:** We encourage companies to explore technology to improve the voting process and confirmation, such as blockchain, virtual meetings, electronic voting, and split voting (ownership proportion)

Voting Guidelines

We have set out our voting guidelines in the sequence that reflects the level of individual direct control that the company has in managing the topic. For example, climate change is a risk that a company, despite its individual action, in of itself has no direct control over – it can, however, control its response to that risk. In contrast, appointments to the Board, remuneration policy and systems of internal control are wholly within an organisation's sphere of influence. We believe that between these two extremes sits taxation and the availability and use of human and natural capital. By structuring our guidelines in this order, we are highlighting the need for companies to respond to high level global risks, which are often not a focus of attention but where a failure to manage can have significant financial consequences. The ordering of the voting principles does not quantify their level of importance.

Sustainability

Companies should effectively manage environmental and social factors, in pursuit of enhancing their sustainability.

A company's governance, social and environmental practices should meet or exceed the standards of its market regulations and general practices and should take into account relevant factors that may impact significantly the company's long-term value creation. Issuers should recognise constructive engagement as both a right and responsibility.

Principle	Outcome/Voting Guideline
Sustainable Development Goals	
We encourage companies to demonstrate their commitment to the disclosure of sustainability information and data. Companies should assess the relevance of each UN Sustainable Development Goal (SDG) to their business and incorporate those which are material into their strategies. We encourage companies to report on how they support the SDGs and to engage with civil society on how best to respond to them. We also encourage companies to evaluate their fitness for the future, through benchmarks such as Future Fit.	We will engage with companies on developing their reporting on material sustainably-related financial disclosures and support the use of the SDGs as a framework for companies to articulate their approach.
Climate Change	
We expect companies to effectively identify and manage the financial material physical, adaptation and mitigation risks and opportunities arising from climate change as it relates to entire business model. We expect each company to put in place specific policies and actions, both in its own operations and	We engage actively on the identification and management of physical and adaption risks, with a focus on specific companies/ sectors who are most financially exposed. We will use

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Principle	Outcome/Voting Guideline
across its supply chain, to mitigate the risks of transition to a low carbon economy and to contribute to limiting climate change to below 2°C. We expect disclosure of climate-related risks and actions to mitigate these in line with latest best practice guidelines, such as those of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). This should include an assessment and scenario analysis of possible future climate change risks in addition to those that have already emerged. Companies will be measured against the Transition Pathway Initiative (TPI). We expect companies to disclose information on their climate and energy policy lobbying and expenditure, to enable shareholders the opportunity to assess whether these lobbying activities are in line with the goals of the Paris Accord. Climate change is a strategic priority for Brunel, we have outlined our approach in our Climate change policy. Voting is aligned with our engagement and expectations will increase over time.	our vote to reinforce this engagement. We will vote against the re-election of the company chair where a company has not at least reached Level 2 of the TPI framework, reached level 3 of the TPI framework for the energy sector, or where the TPI score has fallen from level 4. Any changes to scores resulting from a methodological change will be considered in light of other information such a carbon performance. We may use our vote to reinforce engagement with specific companies in relation to climate disclosure with reference to TCFD.
Tax	
Tax is complex, but it is also the way corporations contribute to the economies in which they operate. We believe openness about the approach taken is a key step to building understanding and trust. Aggressive tax strategies, even if structured legally, can pose potentially significant reputational and commercial risk for companies. We expect companies to: • Comply with all tax laws and regulations in all countries of operation • Recognise the importance of taxation to the funding of good public services on which they and their stakeholders rely, and to commit to paying their fair contribution • Ensure that their tax policies and practices do not damage their social licence to operate in all jurisdictions in which they have a presence • Disclose the taxes paid by or collected by them in each country • **Provide country-by-country reporting in order to demonstrate that taxes are paid where economic value is generated** • Have an approach to tax policy that is sustainable and transparent	We will engage with companies on tax transparency.

Human and Natural Capital

Companies operate interdependently of the economy, society and the physical environment. The availability and retention of an appropriately skilled workforce will impact company productivity. Similarly, companies impact the environment through the use of natural resources, e.g. water, waste and raw materials, and the physical environment can impact company productivity by damage caused by extreme weather both directly and indirectly from disrupted supply chains.

Companies should effectively manage their workforce and natural capital to enhance their productivity and to deliver sustainable returns. Companies should regularly disclose key metrics on their capital requirements and risks.

Directors of companies should be accountable to shareholders for the management of material environmental and social risks which, over the long term, will affect value and the ability of companies to achieve long-term returns.

Principle	Outcome/Voting Guideline
Human Capital Management	
Employees are a vital asset for companies. Boards should oversee development of human capital management strategies and accompanying objectives that seek to develop the potential of their employees, contributing to a positively engaged, committed and talented workforce. We expect companies to provide qualitative contextual information describing their approach, as well as annual disclosure of the key performance indicators.	We will be engaging on implementation of the relevant updates to the UK Corporate Governance code.
Human Rights	
Companies should comply with all legal requirements and the duty to respect all internationally recognised human rights, including the obligations of the Modern Slavery Act in the UK. We are supportive of companies who provide disclosure on their workforce and follow the Transparency in supply chains guide issued by the Home Office, and encourage companies to adopt and to increase use of appropriate technology to improve transparency on end-to-end supply chain. In addition, we support the Employer pays principle. Policies should apply to suppliers and sub-contractors.	We will be engaging with companies to improve transparency and disclosure. We will consider voting against the annual report and accounts of FTSE 100 companies who have failed to adequately publish an annual modern slavery statement and there is insufficient explanation. We support resolutions asking for companies to implement policies and management systems addressing human rights.

Principle	Outcome/Voting Guideline
	Where there are substantial failures to manage ESG risks, we will vote against the re-election of directors responsible for overseeing those risks.
Natural Resource Efficiency	
We expect companies to value and appropriately limit their use of scarce and finite natural resources. This will include, where relevant, an assessment of the impact of water use in areas of water stress, opportunities to improve waste management such as reducing single use plastic and boosting resource efficiency by reducing demand, re-using products, recycling materials or otherwise recovering value prior to safe disposal, and explaining what steps the company is taking to help build a more circular economy.	We will engage with specific companies and sectors where we identify a principal risk. We generally support resolutions requiring regular review of business policies and procedures in relation to natural resource efficiency. Where there are substantial failures to manage ESG risks, we will vote against the re-election of directors responsible for overseeing those risks.
Pollution	
We expect companies to avoid and to seek to reduce and mitigate the pollution of the air, water and soil by detrimental toxic or non-toxic materials through their operations, supply chain or products, whether in use or following disposal.	We will be engaging with companies to build a circular economy and control pollution to below harmful levels. Where there are substantial failures to manage ESG risks, we will vote against the re-election of directors responsible for overseeing those risks.
Other Social and Environmental Issues	
Social and environmental issues are wide-ranging. We maintain more detailed guidance to support issues including but not limited to discriminatory practices, operating in controversial countries, forestry product certification standards, sustainable palm oil, forestry and GMOs.	Where there are substantial failures to manage ESG risks, we will vote against the re-election of directors in charge of those risks.

Company Boards

Conduct and Culture

Corporate culture and conduct have always been important, but recent evidence from incidences where conduct has fallen below the expected standards and the knock-on financial consequences has reinforced the need for conduct and culture to be an area of focus.

Principle	Outcome/Voting Guideline
Corporate Culture	
Companies should maintain the highest standards of conduct towards all stakeholders, including employees, customers, suppliers, government, regulators and the wider public across all markets. Companies should cultivate a culture that ensures the highest standards of integrity and a respect for others, promotes ethical behaviour and guards against sexual harassment and bribery and corruption, including through robust policies and processes.	We will consider voting against re-election of directors where we feel business conduct is poor, or against election where there has been a history at a prior company.

Board Composition and Effectiveness

The composition and effectiveness of Boards is crucial to determining company performance. Boards should comprise a diverse range of skills, knowledge and experience, including leadership skills, good group dynamics, relevant technical expertise and sufficient independence and strength of character to challenge executive management and to hold it to account.

The Board is accountable to shareholders and should maintain ongoing dialogue with its long-term shareholders on matters relating to strategy, performance, governance and risk and opportunities relating to environmental and social issues. This dialogue should support, but not be limited to, informing voting decisions at annual meetings.

Principle	Outcome/Voting Guideline
Board Committees	
Depending on the size and complexity of a company, we expect to see separate committees for key functions of the Board, including but not limited to audit, remuneration and director nomination and succession.	We will generally vote against the election or re-election of individual directors whose presence would cause a Board committee to fail to meet local

Principle	Outcome/Voting Guideline
Committees should generally comprise either entirely of or with a majority of independent directors, in line with local governance codes. For example, in the UK: • The nomination committee must comprise a majority of independent non-executive directors, including the Senior Independent Director (for larger companies) • The remuneration committee must consist entirely of independent non-executive directors, with a minimum of three for larger companies and two for smaller companies. The chair can only be a member if they were independent on appointment and do not chair the committee • The audit committee must consist exclusively of independent non-executive directors, with a minimum of three for larger companies and two for smaller companies. At least one member should have recent and relevant financial expertise and all members should have competence relevant to the sector in which the company operates	governance guidelines on composition.
Director Attendance and Commitment	
A director should be able to allocate sufficient time to the company to discharge their duties, alongside other commitments, with attendance at Board and committee meetings a requirement. The number of Board, committee and other meetings attended by each director should be disclosed routinely in annual reporting, with instances of less than full attendance explained. Whether a Board director is over-committed depends on a range of factors including the number of roles, the size and complexity of a company, travel requirements and any additional responsibilities such as that of a committee chair.	In the absence of a suitable explanation and disclosure to investors, directors should have attended no less than 75% of Board and committee meetings held. We will vote against the re-election of a director where disclosure of attendance is insufficient and without a valid explanation. We expect that non-executive directors should not hold more than five roles in total. Chair role is considered as two directorships and executive directorships as four due to increased complexity, oversight and time commitment. We will vote against directors considered to be over-committed.

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Principle	Outcome/Voting Guideline
Diversity and Succession Planning	
We believe that to function and perform optimally, companies and their Boards should seek diversity of membership considering the company's long-term strategic direction, business model, employees, customers, suppliers and geographic footprint, as well as to reflect the diversity of society, including across race, gender, skills, nationality and background. We expect companies to be transparent about their diversity policies and encourage disclosure of breakdown of Board directors, executive directors, managers and employees by geography and skill set beyond gender reporting to encompass diversity in its broadest sense. We support reviews such as Hampton Alexander, McGregor-Smith and Parker, which set goals for the representation of women and people of colour on UK Boards, executive teams and senior management. In the UK, we advocate for continued development and endorse recommendations made in the Business, Energy and Industrial Strategy Committee report on gender pay gap reporting. Along with information on gender pay gaps, we expect companies to disclose the initiatives they have in place and the action they are taking in order to close any stated gap. We encourage companies with below 250 employees to consider gender pay gap disclosure where practical.	We will engage with companies to continue to improve disclosure on diversity, including gender diversity. We may vote against the financial statements and statutory reports of companies that provide inadequate disclosure on diversity or may escalate this to withdraw support for the chair's re-election In the UK, we will vote against the financial statements and statutory reports of qualifying companies (250 or more UK employees) that fail to disclose their gender pay gap.
Across all markets, we will engage with companies to seek progress on gender diversity at Board and executive team level, as well as promoting gender diversity throughout the organisation. As members of the 30% Club and supporters of the Diversity Project, we strongly believe that UK Boards should aim to achieve at least 33% female representation on FTSE 350 Boards by 2020, as set out in the report Women on Boards: 5 year summary by Lord Davies, and the findings of the Hampton-Alexander review, proposing that by 2020 at least 33% of the members of executive teams at FTSE 100 companies should be women. We look favourably on companies who seek to improve diversity across all executive committee functions, expanding beyond common support functions where diversity currently tends to be higher, such as HR, communications, marketing and treasury.	In the UK, in 2020, we will vote against the election of the chair of the nomination committee of FTSE 350 companies where women or men comprise less than 30% of the Board, and against the chair of smaller companies with no female or male Board representation. We will vote against the chair of the nomination committee of FTSE 100 businesses which have no women or men on their executive teams and expect to increase this threshold in 2021. Consideration may be given where a credible plan is in place to rectify low levels of gender

Principle	Outcome/Voting Guideline
	diversity or where a company is faced with exceptional mitigating circumstances such as a sudden departure. We will be working closely with the 30% Club and Diversity Project to promote diversity on Boards and within the pipeline.
A Board capable of drawing on a range of thought, experience & expertise is a Board that can engage with an increasingly diverse range of stakeholders. Nomination committees of all FTSE 100 and FTSE 250 companies should require their human resources teams or search firms (as applicable) to identify and present qualified people of colour to be considered for Board appointment when vacancies occur. We support the recommendations of Sir John Parker that from 2021 FTSE 100 Boards should have at least one director of colour and by 2024 FTSE 250 Boards should have at least one director of colour. We expect to see disclosure from companies on how they consider and promote ethnic diversity.	We will be engaging with companies during 2020 to improve disclosure and diversity of ethnicity. In 2021 we will consider voting against the election of the chair of the nomination committee of businesses that are not progressing the recommendations of the Parker review and will consider voting against the election of the chair of the nomination committee of FTSE 100 companies who did not respond to the parker review progress report.
Robust succession planning at the Board and senior management level is vital to safeguard long-term value for any organisation, including planning for both unanticipated and foreseeable changes. Succession plans should seek to build a diverse pipeline of candidates from within the organisation, with appropriate consideration given to promoting diversity and inclusion, including across race, gender, skills and backgrounds.	We may vote against the chair of the nominations committee, or other relevant resolutions, if there is insufficient evidence of robust succession planning.
Effectiveness, Evaluation & Election Process	
Companies should continually assess the effectiveness of their Boards to ensure they are operating optimally, with the right governance structures. This should include independent evaluation at regular intervals, with honest and transparent reporting to shareholders on the main findings and the steps needed to address any issues. To preserve the Board's accountability to shareholders, directors should be re-elected on an annual basis by majority vote.	In markets where companies are not required to put all directors up for annual re-election (as in the UK), we will vote for a resolution to institute annual elections for all directors.

Principle	Outcome/Voting Guideline
Independence	
Boards should have a balance of executive and independent non-executive directors to ensure that no single individual or small group dominates the Board's decision-making. In the UK, FTSE 350 company Boards should comprise at least half independent non-executive directors, excluding the Chair. There should be clear division of responsibilities between leadership of the Board and executive leadership of the business. Factors which may compromise the independence of individual directors include: • Long tenure: a director's ability to act independently can be eroded by long tenure, for example, above 10 years • Significant shareholdings or share options in a company or being a representative of a significant shareholder • Other direct or indirect material relationships with the company, other directors or its executives	We will generally vote against the election or re-election of individual directors whose presence would cause a Board or its committees to fail to meet local governance guidelines on composition. We will generally vote against the re-election of a combined CEO and Chair, the promotion of a former CEO to chair, or the election of a Chair who is not independent on appointment. We will generally support resolutions to institute a separate CEO and Chair.

Executive Remuneration

Our principles for executive remuneration are aligned with Federated Hermes' published Remuneration Principles. The most recent iteration was published in November 2016.

Executive remuneration is a critical factor in ensuring management is appropriately incentivised and aligned with the best interests of the long-term owners of the business. Whilst judgement of remuneration is therefore made on a case-by-case basis, we adhere to the following guiding principles:

Simplicity Pay schemes should be clear and understandable for investors as well as executives. Pay structures should be much simpler and less leveraged than they are at present, for example taking the form of a single incentive scheme and lower variable and total possible pay. Remuneration reports must explain how alignment with long-term shareholders is achieved.

Shareholding The executive management team should make material investments in the company's shares and become long-term stakeholders in the company's success. Significant shareholding requirements for directors should remain in place for a specific period of time following departure from the company, with no share sales allowed for at least one year.

Alignment and quantum Pay should be aligned to the long-term success of the company and the desired corporate culture and is likely to be best achieved through long-term share ownership. Pay is often too high and pay schemes often seem to pay out significant sums which conflict with many shareholders' and other stakeholders' views of performance. Boards should be able to justify to investors, the workforce and the public the rationale for the CEO's and the most senior management's pay, taking account of the pay of the wider workforce. If they are not able to do so, directors should use their discretion to adjust actual or potential pay downwards. The rules of pay schemes should support this.

Accountability Remuneration committees should use discretion to ensure that pay properly reflects business performance. Pay should reflect outcomes for long-term investors and take account of any decrease in the value of, or drop in the reputation of the company. Remuneration committees should take a more robust view on pay, using their judgement and being accountable for their decisions. They should avoid paying more than is necessary and not place too much reliance on existing practice and benchmarking which help to perpetuate many of the problems that we seek to address. The potential outcomes of a pay policy should be rigorously scenario tested with a cap on the total possible pay published in advance, to help reduce the risk of unintended consequences.

Stewardship Companies and investors should regularly discuss strategy, long-term performance and the link to executive remuneration. Executives should be encouraged to achieve strategic goals, rather than focus attention on total shareholder return or stock price appreciation. They should take account of the company's effect on key stakeholders.

Behaviour: the most senior executives should willingly embrace the approach we have described. If they do not, boards should consider the implications. Remuneration committees must take responsibility for the design, disclosure and dialogue on executive pay and we will hold them accountable for this.

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Principle	Outcome/Voting Guideline
Clawback/Malus	
Companies should include provisions and specify the circumstances in which the committee would consider appropriate to recover sums paid or to withhold payment of any sum. Recoupment should be sought for inappropriate financial reporting, deceptive business practices and from any senior executive whose behaviour caused direct financial harm to shareholders, reputational risk to the company or resulted in criminal investigation.	We will vote against the remuneration report and policy where there is not a provision for clawback and malus or where deemed insufficient.
Fixed vs. Variable Pay	
To reduce risk-taking, increase transparency and reduce excessive levels of pay in any one year, we wish to see a lower variable pay opportunity relative to fixed pay. We will therefore look carefully at the ratio of variable to fixed pay.	Variable pay of more than four times base salary is concerning and may result in engagement. Variable pay of more than eight times is considered excessive and will likely result in a vote against the remuneration policy and subsequent remuneration reports.
Living Wage	
We are supportive of encouraging adoption of a living wage or pay packages of equivalent value in driving stability and productivity of the workforce. Where appropriate – for example, where existing reward packages, including benefits like pension contributions, do not meet or exceed the value of the living wage – we encourage companies to become accredited by the Living Wage Foundation. We would not expect adoption to be at the detriment of existing benefits to staff and to result in a worse position overall.	We may consider voting against remuneration reports of companies where, through our engagement, we identify risks relating to workforce pay levels.
Measurements	
Pay should be aligned to the long-term strategy and the desired corporate culture throughout the organisation. The remuneration committee should consider strategic, financial and non-financial measurements. Companies should exclude the potential short-term effects of share buybacks on reward outcomes. Adjustments should be made to earnings per share (EPS) metrics used in incentive plans. Targets for mitigating and managing material E&S risks and impacts should also be considered in the assessment of annual bonuses to prevent short term financial gains from impacting longer term targets and sustainability of the company. These should be a meaningful amount to the	We may vote against remuneration policies and reports which have an over-reliance on metrics that do not reflect long-term sustainable growth or which over-emphasise shareholder returns.

Principle	Outcome/Voting Guideline
level of risk – targets should not be perverse, e.g. reserves replacement ratios.	
Pay Ratio	
Disclosure of CEO to employee pay ratios is an important new section of the annual remuneration report. We encourage early adoption by companies and the use of 'Option A' for calculating the ratios, whereby companies determine the full-time equivalent total remuneration for all UK employees and identify the 75th, 50th and 25th percentile employees, rather than using other indicative data such as gender pay gap data.	We will be engaging with companies on this topic in 2019. Failure to meet mandatory requirement to disclose by 2020 will result in a vote against the remuneration report.
Remuneration Reporting	
We expect clarity in the reporting of remuneration structures and practices. This includes disclosure of targets under incentive schemes either in advance or within a year following the end of the relevant reporting period, with full justification for any lack of disclosure, which is usually only acceptable for a time-limited period, typically of one year. We endorse the guidance provided by the GC100 and Investor Group and the principles and provisions of the Code.	We will be engaging with companies to improve disclosure. Where disclosure against a metric is deemed commercially sensitive we expect a full explanation why it hasn't been published.
Remuneration Committee	
Remuneration committees should ensure that remuneration structures and practices are relevant to their businesses, appropriate in the context of policies and practices for wider workforce pay and incentives, aligned to the company's purpose and values, and support the delivery of its long-term strategy and the creation of sustainable value. We expect remuneration committees to exercise discretion to ensure total awards – including the unforeseen outcomes of performance-based schemes – remain appropriate.	We may vote against the election of the chair of the remuneration committee where we believe they have failed to exercise their responsibilities, including where remuneration practices materially fail to meet our expectations.
Shareholding Requirements	
It is desirable for shareholding requirements to increase to a minimum of: • 500% of salary for FTSE 100 • 300% for FTSE 250 • 200% for all other companies We also encourage incentive structures that increase employee shareholding and cascade ownership and alignment through an organisation. We expect to see remuneration committees develop formal policies for post-employment shareholding requirements, encompassing	We will vote against policies where requirements are not at least 300% (FTSE 100) or 200% (FTSE 250).

Principle	Outcome/Voting Guideline
vested and unvested shares, for a reasonable period of time. We would suggest this is no less than three years.	
Structure and Fairness	
Remuneration should amount to no more than is necessary and sufficient to attract, retain and motivate the individuals and groups of individuals most suited to managing the company. Base salary should not increase significantly without clear, compelling and exceptional justification. We do not believe that a bonus should be paid where a department is directly linked to a catastrophic incident. We are not supportive of pay-outs which do not support the long-term success.	We may vote against the election of the remuneration committee chair and members accountable for questionable pay policies or inappropriate outcomes.
Quantum	
Boards should be able to justify to the workforce and the public the rationale for pay awards to management and, if they are not able to do so convincingly, should use their discretion to make adjustments. We expect remuneration committees to exercise discretion to ensure total awards – including the unforeseen outcomes of performance-based schemes – remain appropriate.	We will review on a case-by-case basis whether executive pay outcomes are considered excessive and unjustifiable.

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Audit

The audit process is vital to ensuring the integrity of company reporting ensuring presentation of a true and fair view, enabling shareholders to assess the financial health and long-term viability of a company.

Principle	Outcome/Voting Guideline
Audit Committees	
Audit committees play a critical role in overseeing the audit process and ensuring the quality of reporting to investors. They should describe to investors the key aspects of their work, including descriptions of the following: • The significant issues considered and how they were addressed • How the audit committee assessed the effectiveness of the internal and external audit process and how it sought to remedy any concerns • The committee's approach to the appointment and reappointment of the auditor, including an explanation of how auditor objectivity and independence are safeguarded Audited accounts should show a true and fair view of profit or loss and assets or liabilities, including but not limited to climate-related liabilities. We expect to see improvements in the quality of auditor reports with a view to voting against inadequate reports in the future.	We will vote against the annual report and accounts where transparency is lacking and there is insufficient explanation. We may vote against the chair of the audit committee if a viability statement does not cover a period of at least three years.
Auditor Fees	
Fees for external audit should be disclosed in the annual reporting. In general, non-audit fees should not exceed 50% of the audit fees.	We do not support non-audit fees in excess of the audit fee and will vote against proposals authorising the Board to fix fees unless these are clearly justified.
Auditor Independence	
If the company proposes a new auditor, or an auditor resigns and does not seek re-election, the company should offer an explanation to shareholders and resignation letters should be posted on the company's website. We see compliance with the Audit Directive as a minimum standard. In the UK, this requires mandatory auditor retendering at 10 years and mandatory rotation after 20 years for major companies. We expect companies to exceed this minimum expectation, and to put the role of the external auditor to tender on a regular basis, ideally every 7 years, with rotation every 15 years.	We will vote against the chair of the audit committee for companies that fail to meet minimum audit rotation guidelines, or where we have material concerns about audit independence.

Principle	Outcome/Voting Guideline
Where the audit firm is rotated, the personnel who assume responsibility for conducting the audit should not be the same personnel (for example, situations could arise where an audit partner moves firms) and the incoming partner should be named in the Audit Committee report. There should be a period of at least five years before an audit firm can be re-appointed. There should be no "Big four only" restrictions implemented in audit firm tenders, where smaller firms have the scope to audit, and companies should resist the imposition of such requirements by lenders or others.	
Bribery and Corruption	
Boards should ensure that companies have best practice anti-bribery and corruption policies and processes in place. There should be robust compliance mechanisms to enforce them. Boards should oversee the bribery and corruption controls and set the right tone to ensure the highest ethical standards and adherence to their company values.	We will vote against the financial statements and statutory reports where there are concerns of fraud or material misstatement.
Cyber Security	
Risks relating to data security and privacy have increased substantially and are increasingly important to investors, companies and regulators. We support research and initiatives to promote corporate awareness and action on cyber security. Boards must take the right steps to protect the company, particularly in high risk sectors. We support Boards that take a proactive stance on cyber-security internally and through the supply chain. Cyber security should be a regular Board discussion agenda item, where there is an incident, we expect this to be disclosed to the market and customers in a timely manner.	We will be engaging with companies on their approach to cyber security and support Boards that take a proactive stance. We support attainment of the Cyber Essentials Badge.
Internal Control	
The Board's internal control statement should provide shareholders with a clear understanding of the company's internal control and risk management processes.	We will vote against the report and accounts where internal controls do not include substantial explanation and level of detail.
Whistleblowing	
The ability for a person to disclose any kind of information or activity that is deemed illegal, unethical, or not correct within an organisation, that is either public or private, is in the public interest and that of investors. We expect companies to have a whistleblowing policy that aims to safeguard any whistleblower's identity. Staff should be made aware of the policy, which should be publicly disclosed and open to third-party use.	We will consider voting against the audit committee chair where there are concerns over the deficiency in risk oversight on whistle-blowing.

Protection of Shareholder and Bondholder Rights

We seek the protection of shareholder and bondholder rights, including the right to access information, equal treatment and propose resolutions and vote at shareholder meetings. We support a single share class structure and generally oppose any measures to increase the complexity of shareholding structures. We will generally require the unbundling of resolutions, giving shareholders the ability to vote distinctly on the general and enhanced authorities to issue shares as separate items on the agenda of shareholder meetings. We also support adherence to the highest possible standards on listed stock exchanges.

Principle	Outcome/Voting Guideline
Mergers & Acquisitions/ Commercial Transactions/ Joint Ventures	

When voting on a commercial transaction, we will consider the following:
• Governance: Including the extent to which due process is followed and information is made available to shareholders
• Consistency with strategy: Whether the transaction is consistent with the prior stated strategic aims of the company
• Risks: The key risks to the business from the transaction and the extent to which these appear to have been managed
• Conflicts of interest: Any conflicts of interest which may affect the alignment of the interests of directors or particular shareholders with those of long-term shareholders, including the following:
  o Whether the proposal is a related party transaction and, if so, whether appropriate disclosures or other steps to protect the interests of long-term shareholders have been made
  o Whether the transaction erodes any shareholder rights, which may occur under anti-takeover provisions
  o Any potential conflict of interest concerning the directors' duty to act in the interests of shareholders, in particular, as these may arise from either existing or newly applicable remuneration arrangements.
	Please refer to our Mergers & Acquisitions section above for further detail on our approach to voting.

Responsiveness to Shareholders	
Companies should provide sufficient and timely information that enables shareholders to understand key issues, make informed vote decisions, and effectively engage with companies on substantive matters that impact	We may vote against director election when responsiveness to shareholders is considered to be poor.

Principle	Outcome/Voting Guideline
shareholders' long-term interests in the company. When 20 per cent or more of votes have been cast against the Board recommendation for a resolution, the company should explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind the result. We believe that for some resolutions lower levels of dissent would be an indication of concern and a response by management by wholly warranted. Engagement between companies and shareholders can provide a constructive forum to discuss points of contention and development before they come to a vote. We generally believe companies should be responsive to shareholder concerns. We will consider our own experience with asset managers when voting resolutions.	
Share Capital Management	
We support measures to protect the value of each share issued to shareholders, including on the following matters: • Pre-emption rights: We believe the rights of existing shareholders should be protected against the erosion of value or control without their prior approval. We will therefore only support the waiver of pre-emption rights in limited circumstances. General Authority to issue shares should be limited to two-thirds, with any issuance over one third applying pre-emption rights. Any request to increase the authorised share capital without pre-emption rights should be limited to 5%. A max of 10% is supported where the additional 5% is for the purpose of financing an acquisition or a specified capital investment	We will only support the waiver of pre-emption rights in limited circumstances.
• Share buy-backs: We encourage companies to provide explicit assurance to shareholders that share buybacks are only conducted in the best interests of all shareholders. Buybacks should be limited to 15% of the issued share capital in any given year. Companies should exclude the potential short-term effects of share buybacks on executive remuneration. Adjustments should be made to earnings per share (EPS) metrics used in incentive plans. Where a buyback triggers Rule 9 of the takeover code where there is a significant shareholder, companies should ensure that a buyback does not result in a significant shareholder's holding increasing. We generally would not support a dispensation to Rule 9 under these circumstances.	We will generally vote against Rule 9 waivers.

Principle	Outcome/Voting Guideline
Share Class Structures	
We advocate for 'one share, one vote' share class structures, and generally do not support the dilution of minority rights through multiple class shares.	We will vote against resolutions which reduce this right and vote for resolutions which introduce this right.
Share Dilution	
Dilution of shareholders through the issuing of shares to employees can represent a significant transfer of value. Dilution limits are an important shareholder protection and should be respected. The rules of a scheme must provide that commitments to issue new shares or re-issue treasury shares, when aggregated with awards under all of the company's other schemes, must not exceed 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10-year period. Remuneration Committees should ensure that appropriate policies regarding flowrates exist in order to spread the potential issue of new shares over the life of relevant schemes in order to ensure the limit is not breached. Commitments to issue new shares or re-issue treasury shares under executive (discretionary) schemes should not exceed 5% of the issued ordinary share capital of the company (adjusted for share issuance and cancellation) in any rolling 10-year period.	We will generally vote against the remuneration report where dilution limits are not adhered with.
Shareholder Resolutions	
We support the selective use of shareholder resolutions as a useful tool for communicating investor concerns and priorities or the assertion of shareholder rights, and as a supplement to or escalation of direct engagement with companies. When considering whether or not to support resolutions, we consider factors including whether the proposal promotes long-term shareholders' interests; what the company is already doing or has committed to do; the nature and motivations of the filers, if known; and what potential impacts – positive and negative – the proposal could have on the company if implemented.	We consider such resolutions on a case-by-case basis.
Political & Trade Association Donations	
We do not support direct political donations to political parties or individual political candidates by companies. As contextualised by PLSA a blanket ban on donations, due to the legal definition of this term, could prevent donations to charities and educational causes, and would also preclude all party parliamentary groups.	We will consider on a case-by-case basis voting against the authority to make political donations, particularly where there is no cap on the level of

Principle	Outcome/Voting Guideline
Companies should fully disclose all political contributions along with an explanation on how it benefits the company. There should be increased transparency around memberships of and monies paid to trade associations and lobbying groups and direct lobbying activity and indirect via trade associations. Transparency should include: • Clear explanations of how each association, contribution and action etc. benefit the causes of the company • A public statement from the company outlining where it disagrees with the associations of which it is a member on a particular issue, and the reasons why it believes it to be beneficial to remain a member	donations and/or disclosure is not adequate.
Virtual/Electronic General Meetings	
Physical shareholder meetings are fundamentally important to the exercise of shareholder rights and for publicly holding Boards accountable to all their shareholders. We see the benefit technology can play in increasing investor participation at general meetings as an extension of the physical meeting. We believe that such technology should be used in conjunction with physical meetings. A permanent move towards virtual only meetings is not favoured due to potential reduced levels of engagement. There may be instances where a virtual only AGM is required, in this instance companies should seek to maintain shareholder engagement and transparency by providing an appropriate platform to openly ask questions so that it does not appear as though companies are attempting to overly select questions they will address. We encourage companies to explore the use of technology such as block chain to improve voting and confirmation.	We will generally vote against proposals allowing for the conveying of virtual-only shareholder meetings where provisions have not been made to maintain shareholder rights. Where virtual only meetings are held and companies have not protected shareholder rights, or where physical meetings are held in obscure locations, we may consider voting against the company chair.
Transparency	
Companies should adopt an open approach to the public disclosure of information, within the limits of what can be disclosed, in a way that allows investors to understand the main risks that the Board has identified for the business and how the company manages and mitigates them. Improved transparency fosters informed voting and engagement. It allows for better integration of ESG into investment, particularly where companies might not currently comply with best practice.	We will be engaging with companies and policy makers to improve transparency.

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Annex 1

Stewardship Codes Compliance Statement

This annex summarises how the policy meets the Stewardship Code expectations of the UK Stewardship Code, but also other codes internationally.

Policy Commitment	**Brunel fully follows this principle:**	**And in practice:**
1. Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.	Our Stewardship approach is outlined in the above policy. Stewardship responsibilities extend to all assets held by Brunel. Brunel has published policy documents which details how we discharge our stewardship responsibilities. This includes, but is not limited to our **Responsible Investment Policy** and **Stewardship Policy** which contains our **Voting Policy**.	Our website has a dedicated area detailing our stewardship activities, this is updated regularly. All new Investment Management Agreements (IMAs) include requirements to observe the FRC's UK Corporate Governance Code and UK Stewardship Code. Our summary on Stock Lending is detailed above. Our Stewardship policy will also be available on the Brunel website.
Conflicts of Interest	**Brunel fully follows this principle:**	**And in practice:**
2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly available	Our approach to Conflicts of Interest is captured in the above policy.	Conflicts of interest are highlighted in our investment management agreements (IMA's) and contracts with external parties. Declaration of conflict of interest is a standing agenda item for board committees and is detailed in terms of reference for departmental committees. An annual report is submitted to risk and compliance who undertake an annual review.
Corporate Engagement	**Brunel fully follows this principle:**	**And in practice:**
3. Institutional investors should monitor their investee companies.	Engagement implementation will be undertaken by asset managers, our specialist provider Hermes EOS and via collaborative forums. However, Brunel will seek to undertake direct engagement	Engagement plans agreed with all managers, with progress included in quarterly reports (as appropriate). Engagement is also discussed at each fund manager review meeting.

Orientation to sustainable growth	where we feel that this will add value. Our approach to Stewardship is part of our overall approach to Responsible Investment. The aim of our RI Policy is "to deliver stronger investment returns over the long term, protecting our clients' interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society"	Engagement and voting activity undertaken by Hermes EOS will be published on our website quarterly. We also aim to publish case studies and other adhoc reporting to enhance stewardship disclosure. Our quarterly report and Annual RI Report provides more detail in our quarterly and annual reports. Our full approach to engagement is detailed in our Stewardship Policy.
Enhancing Value & Integration	**Brunel fully follows this principle:**	**And in practice:**
4. Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.	Our engagement themes are detailed in our **responsible investment policy** and imbedded into our voting policy. Specific objectives and targets are set in relation to engagement.	Brunel aims to be constructive and work with investee companies to resolve issues of concern. However, we will escalate our engagement activity based on risk and the companies' response to our concerns, and those of other stakeholders. Our **escalation approach** is explained above.
Common understanding to solve problems. Incorporating corporate governance and sustainability considerations.	**Collaboration** is central to our values and our approach to all aspects of operation at Brunel. Manager policies, including those relating to engagement and escalation are reviewed prior to appointment and, during our regular review meetings. ESG issues are fully integrated into all our investment process. Our **Responsible Investment Policy** outlines this in more detail.	Engagement plans will be identified with each active equity manager on an annual basis. A public engagement report, detailing activity undertaken on our behalf by Hermes EOS will be made available on our website. Our portfolios are analysed using a mixture of ESG risk tools. We will work with our fund managers to address arising issues in their activities.

Working with Others	Brunel fully follows this principle:	And in practice:
5. Institutional investors should be willing to act collectively with other investors where appropriate.	Collaboration is one of the three pillars of our Responsible Investment approach. Collectively engaging amplifies impact and outcomes through utilising the scale that comes from collaboration. Brunel actively works with other pension funds, asset managers and many organisations to promote responsible investment. A list of our partnerships and affiliations is detailed on our website and Appendix 1 of our Responsible Investment Policy.	All our managers work collaboratively with other parties. Collaborative engagements, research and advocacy work is detailed in our annual report and accounts and our quarterly reports to our clients and pension board. Alongside the IMA's Brunel has Accord's with managers which details the partnership approach we expect and sets out how we wish to work together. Collaborative engagements contact details are RI.Brunel@brunelpp.org
Monitoring and engaging with regulators and policy makers (Canadian – CCGG Code)	We are focused on working with regulators, other institutional investors and service providers to the financial industry. UK Policy Framework is a key theme for Brunel. We will support policy makers in the development of a robust framework that promotes sustainable economic growth.	Brunel actively engages with regulators by responding to public consultations either individually or collaboratively through industry groups. Responses to consultations are published on our website.

Voting	Brunel fully follows this principle:	And in practice:
6. Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy should be designed to contribute to sustainable growth on investee companies.	Brunel believes that voting is an integral part of the responsible investment and stewardship process. Our index tracking fund manager has a publicly available policy and has been delegated to vote on all the fund's shares, at their discretion. We reserve the right to direct the voting in exceptional circumstances, in line with our split voting. The implementation of our voting policy is undertaken by Hermes EOS.	We demand high standards in stewardship from our managers. Their approach and associated policies are evaluated as part of the manager selection process. Although the proxy has been removed managers are notified of recommendations and encouraged to engage as outlined in the voting process. Voting statistics are included in quarterly reports and voting execution evaluated as part of on-going manager and service provider monitoring.

	Our published voting policy outlines specific guidelines across several areas.	**Full voting records will be available on our website. These will be updated no less than every 6 months.**
Reporting	**Brunel fully follows this principle:**	**And in practice:**
7. Institutional investors should report periodically on their stewardship and voting activities. This report should include voting and be shared with clients and beneficiaries.	A comprehensive annual review of our activities is included in our Annual Report and Financial Statements. We also report regularly to our clients. We are committed to being open and transparent and use a variety of media to communicate with our stakeholders.	Our website provides comprehensive information on our policy commitments and evidence of implementation of our stewardship responsibilities. Public engagement reports are updated quarterly on our website. www.brunelpensionpartnership.org We require all our managers to provide us with annual assurance on internal controls and compliance through international standard or a UK framework such as AAF01/06
Skills and Knowledge	**Brunel fully follows this principle:**	**And in practice:**
8. To contribute positively, institutional investors should have in-depth knowledge of the investee companies and their business environment with the skills and resources needed. (Japan SC Principle 7)	We have dedicated internal resource for Responsible Investment, Strategy, Policy and oversight. RI activities is integrated into all staff objectives. We believe in being an active, responsible owner. We do this directly, through our managers, through specialist service providers and through collaborations and partnerships. In-depth knowledge of investee companies is delegated to the managers that select and monitor the companies on a day-to-day basis.	The capability and performance of each manager, in assessing environmental, social and governance factors of investee companies and their business environment, is a key component of our selection and retention criteria. Monitoring of fund manager performance is reviewed and reported regularly to clients and forms part of formal annual reviews of each manager.

Getting in touch

If you have any questions or comments about this policy, please email Faith Ward, Chief Responsible Investment Officer at RI.Brunel@brunelpp.org.

For general fund manager enquiries, meeting requests and other materials (updates, newsletters, brochures and so on), please contact us on investments.brunel@brunelpp.org

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