Voting Guidelines

This policy should be read in conjunction with our Stewardship Policy which details the implementation of our voting guidelines and the review process.

Approved by the Board of Brunel Pension Partnership Limited.

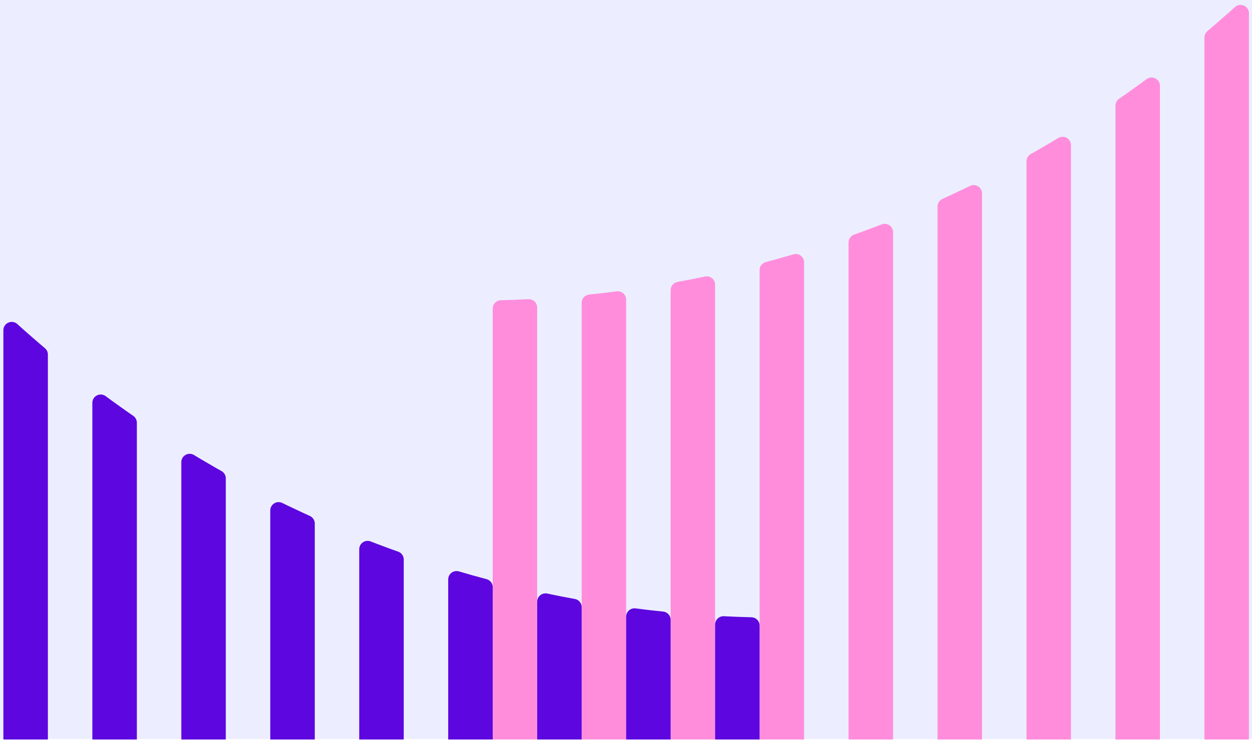
These guidelines have been refreshed in March 2024
Company registration number 10429110
Authorised and regulated by the Financial Conduct Authority No. 790168

Voting Guidelines

The voting policy 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 express our expectations of companies and their boards and management. Failure to meet any of these will be factored into 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 priorities, which are used to focus our engagement programme are detailed on our website. Our Climate Change Policy provides further detail on 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 our engagement outcomes below, 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 unreceptive 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 complete materials for general meetings available to shareholders and, where possible, to do so 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 and 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 taxation and the availability and use of human and natural capital sit between these two extremes. By structuring our guidelines in this order, we are highlighting the need for companies to respond to high level global risks; these are often not a focus of attention but failure to manage them can have significant financial consequences. The ordering of the voting principles does not indicate 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 significantly impact the company's long-term value creation. Issuers should recognise constructive engagement as both a right and a responsibility.

Principle	Outcome/Voting Guideline
Biodiversity and Nature	
Nature and Climate Change go hand in hand, we expect companies to effectively assess their impact and dependencies on biodiversity to manage risk and opportunity. Companies should take into account both its own operations and its supply chain. Companies should reduce their impacts on biodiversity across the value chain and aim for a net-positive impact on biodiversity as best practice. We expect companies' approach to support real economy changes, by that we mean taking climate action in the context of other environmental and social objectives. We specifically acknowledge other systemic risks and stresses that interconnect with climate action such as Biodiversity and nature-based solutions (including deforestation, the protection and restoration of water, marine and other eco-systems). We expect disclosure of nature related risks and actions to mitigate these in line with latest best practice guidelines. We support the development of the Taskforce for Nature-related Financial Disclosures (TNFD), which provides a framework for greater disclosure by companies. We are committed to disclosing consistent with the requirements of the TNFD. Brunel supports the Nature Action 100 (NA100) initiative that aims to ramp up corporate ambition and action to stem nature and biodiversity loss. In line with our commitment to NA100, we will urge portfolio companies to undertake risk assessments to understand nature related dependencies, impacts, risks and opportunities and to commit to minimise contributions to the key drivers of nature loss and to conserve and restore ecosystems at the operational level and throughout value chains by 2030. These commitments should be backed by clear targets, management accountability and company-wide implementation plans.	At the minimum, we expect companies to acknowledge the relevance of biodiversity for business, set and disclose ambitions and ensure appropriate senior level oversight. We will engage with companies in high-risk sectors (such as those included in NA100) on these expectations. We will selectively exercise votes against relevant directors in 2024 and escalate more broadly in 2025. Shareholder resolutions will be assessed on a case-by-case basis, with support being provided for resolutions in line with best practice on addressing drivers of biodiversity loss.

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 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. Climate change is a strategic priority for Brunel and we have outlined our approach in our Climate change policy. Voting is aligned with our engagement, and our expectations will increase over time. Companies should commit to achieving net-zero emissions by 2050 at the latest and set supporting short and medium-term science-based targets to reduce greenhouse gas emissions in line with the goals of the Paris Agreement. Companies should adopt the framework set out by the Task Force on Climate-related Financial Disclosures (TCFD) for the management and reporting of climate-related risks and opportunities. Where the risks are particularly acute (for example in energy intensive sectors), this should include conducting scenario analysis to establish the potential financial impacts of climate change on the business at different levels of warming. Companies should ensure that the financial risks associated with climate change and the energy transition are appropriately reflected in reports and accounts. The audit committee should be responsible for ensuring these material risks are explicitly accounted for in the financial statements and the external auditor should be engaged to provide an opinion on this matter. We encourage companies to publish their climate transition action plan, and to annually disclose emissions and provide the opportunity for shareholders to provide feedback. We will be holdings companies to account on the quality of their climate plans. Companies will be measured against the Transition Pathway Initiative (TPI) criteria. We expect companies to disclose information on their climate and energy policy lobbying and expenditure, to give shareholders the opportunity to assess whether these lobbying activities are in line with the goals of the Paris Accord. The company should be transparent about its governance procedures and climate-related lobbying activities by aligning with best-practices set out in the The Institutional Investors Group on Climate Change (IIGCC) Investor Expectations on Corporate Lobbying on Climate Policy. Companies materially reliant on public policy support for their climate strategies should also proactively support and advocate for positive action in their spheres of influence.	We engage actively on the identification and management of physical and adaptation risks, with a focus on those companies/ sectors that are most financially exposed. We will use our vote to reinforce this engagement. From 2024, we will consider a vote against the Chair or a relevant director of a Climate Action 100+ (CA100+) company that we actively hold, where the company continues to fail in meeting the following criteria: ▪ Failure to set decarbonisation strategy including ambition and meaningful targets (CA100+ indicators 1-5) ▪ Adequate climate disclosure (CA100+ indicator 10) We will also consider voting against company annual accounts and reports, re-appointment of the auditor and chair of the audit committee where companies have not met our expectations on climate accounting and audit assessments based on the CA100+ benchmark. In addition, we will selectively engage and vote against relevant company directors that are in the broader TPI universe if they are a material contributor to our financed emissions, have not at least reached level 3 of the TPI framework, their strategy is not aligned to net zero ambitions or they are not progressing against any of the alignment indicators. Companies in the oil and gas, coal mining, electric utilities, diversified mining or automotive sectors, and/or European, UK, Australian or New Zealand companies scoring below Level 4 will also be flagged.

Principle	Outcome/Voting Guideline
Climate Change continued	
We will set tighter expectations and intensify dialogue on companies' disclosures relating to climate accounting, lobbying and capex, focusing foremost on companies that have the greatest contribution to our financed emissions. We will use relevant CA100+ and TPI indicators to enable assessments in addition to data from our investment managers and service provider and reinforce engagement with votes against relevant directors. Our approach, including speed of escalation will be influenced by climate maturity of the companies, sector and geography considerations and response to engagement. We are also working with other asset owners to set consistent expectations on these indicators so we will align our position and set our base requirements accordingly.	Companies scored for the first time will be differentiated and reviewed on a case by case basis. Any changes to scores resulting from a methodological change will be considered in light of other information such as carbon performance. 2025 onwards, we will further escalate through votes against directors, specifically on capex disclosures (see CA100+ indicator 6) and climate lobbying alignment (see TPI assessment question 23) on a targeted set of companies based on sector prioritisation, materiality and history of engagement progress. We reserve the right to escalate faster on certain companies where they have failed to demonstrate improvements on specific matters of engagement. Say on climate proposals will be assessed on a case-by-case basis, taking into account the company's targets, transition plan and progress amongst other measures.
Banks	
We expect banks to incorporate financed and facilitated emissions in their net zero commitments, set decarbonisation targets for all material sectors and activities and set financing conditions for incentivising low carbon transition, particularly in high emission sectors. Banks should improve transparency on the effectiveness of their engagement with clients on the climate transition and introduce explicit criteria for withdrawal of financing to misaligned activities.	We will consider supporting shareholder resolutions that encourage banks to address transition risks within their client portfolios, seek to improve targets setting and encourage them to better define financing policies in alignment with their net zero commitments.

Principle	Outcome/Voting Guideline

Climate Change continued

Deforestation

We expect companies to support real economy changes, by that we mean taking climate action in the context of other environmental and social objectives. We specifically acknowledge other systemic risks and stresses that interconnect with climate action such as deforestation. Companies should asses the impact of their supply chain and seek to eliminate contributions to deforestation and biodiversity loss.

We are a signatory to the Investors Policy Dialogue on Deforestation (IPDD) a collaborative investor initiative set up in July 2020 to engage with public agencies and industry associations in selected countries on the issue of deforestation. The goal of the initiative is to coordinate a public policy dialogue on halting deforestation. The IPDD seeks to ensure long-term financial sustainability of investments in the countries they are invested in by promoting sustainable land use and forest management and respect for human rights, with an initial focus on tropical forests and natural vegetation.

We will engage with companies on improving disclosure and management of deforestation risks.

We will consider voting against the re-election of the company chair where:

- Companies score below 20 on the Forest 500 ranking
- Financial institutions that score 0 on Forest 500 ranking

Companies scored for the first time will be differentiated and reviewed on a case by case basis. Any changes to scores resulting from a methodological change will be considered in light of other information.

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 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 take a negative view of aggressive tax practices, particularly legally deployed tax practices when a company has relied on government support and aid during turbulent times.

We will engage with companies on tax transparency.

We will support shareholder resolutions that seek to align company reporting with the Global Reporting Initiative (GRI) tax standard.

We will reinforce engagement via votes against Chair of the audit committee or other relevant directors in 2025 for a set of companies that are identified as high risk and demonstrate poor disclosure.

Human and Natural Capital

Companies operate interdependently with 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 their use of natural resources e.g. water, waste and raw materials. The physical environment has an impact too; extreme weather can disrupt supply chains, either directly or indirectly which can impact company productivity.

Companies should manage their workforce and natural capital effectively 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 the 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 management. In addition, we support the Employer Pays Principle. Policies should also apply to suppliers and sub-contractors. We support The Global Industry Standard on Tailings Management to achieve the ultimate goal of zero harm to people and the environment with zero tolerance for human fatalities. We also encourage companies to engage with and respect indigenous communities, which, if mishandled, can carry significant reputational risk and severely impact a company's social licence to operate.	We will be engaging with companies to improve transparency and disclosure. We will consider voting against the annual report and accounts of FTSE 350 companies who have failed to publish an adequate annual modern slavery statement and provided insufficient explanation. We support resolutions asking for companies to implement policies and management systems addressing human rights. Where there are substantial failures to manage ESG risks, we will vote against the re-election of directors responsible for overseeing those risks.

Principle	Outcome/Voting Guideline
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 a 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. We are engaging with companies on antimicrobial resistance and managing water stress to enable more affordable access to food and clean water. In 2023 we initiated engagement with water utility companies focused on adaptation to climate physical risk, biodiversity and social 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 their usage or following disposal. Environmentally harmful pollution and waste, whether from operations, supply chains or products is inconsistent with a long-term sustainable business model. Incidents of air pollution, pesticide pollution, leakage of single-use plastics and chemicals into waterways, catastrophic oil spills and tailings dam leaks are rising. Businesses risk harming wider society, being subject to fines, and loss of their social licence to operate. It's imperative that companies are managing these risks and seeking to reduce and compensate damage caused.	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. We have been supporters of the Investor Mining and Tailings Safety Initiative and are taking an active role in the Global Investor Commission on Mining 2030.
Other Social and Environmental Issues	
Social and environmental issues are wide-ranging. We maintain more detailed guidance to support work on 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 incidents where conduct has fallen below the expected standards has reinforced the need to focus on conduct and culture, as well as highlighting the financial risks linked to low standards on conduct.

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 the re-election of directors where we feel business conduct is poor, or against election where the director had a history of poor conduct 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 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. Independent directors should always be in the majority (if not comprise the whole board) , 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	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 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 there is no valid explanation. We will consider recommending voting against a director who appears over-committed to other duties, with the guideline of having no more than five directorships. When considering this issue, we take into account a number of factors, including the size and complexity of roles. Certain industries, such as banking (given its business model and regulatory complexity) and multi-site operating companies such as international mining (due to the need for site visits) require more time commitment. As a broad guideline, we consider a chair role equivalent to two directorships and an executive role equivalent to four directorships. A chair should not hold

Principle	Outcome/Voting Guideline
Director Attendance and Commitment continued	
	another executive role and an executive should hold no more than one non-executive role, except for cases where serving as a shareholder representative on boards is an explicit part of an executive's responsibilities. A significant post at a civil society organisation or in public life would normally also count as equivalent to a directorship, whether executive, non-executive or a chair role.
Diversity and Succession Planning	
We believe that to function and perform optimally, companies and their boards should seek diversity of membership. They should consider the company's long-term strategic direction, business model, employees, customers, suppliers and geographic footprint, and seek to reflect the diversity of society, including across race, gender, skill levels, nationality and background. We expect companies to be transparent about their diversity policies and encourage disclosure broken down by 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. Globally, more progressive Gender Pay Gap reporting includes a requirement for companies to disclose the initiatives they have in place and the action they are taking in order to close any stated gap. Reporting requirements also extend to companies with above 50 employees to report. We encourage companies to consider adopting global best practice. We expect companies to clearly disclose board diversity and encourage directors to self-identify. Companies should create a culture where self-identification is possible. For companies of all sizes across Europe, we support a medium-term goal of 50% overall board diversity, including gender (with at least 40% representation of the minority gender, including those who identify as nonbinary), race and ethnicity and other diversity traits such as LGBTQ+ and disability.	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, where required to report by government.

Principle	Outcome/Voting Guideline
Diversity and Succession Planning continued	
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. We strongly believe that UK Boards should now have achieved at least 33% female representation on FTSE 350 Boards, the 2020 target set out in the report Women on Boards: 5 year summary by Lord Davies. As members of the 30% Club and supporters of the Diversity Project, we support the view that this should be viewed as the floor and not the ceiling. In the UK, we support the changes to the FCA's listing rules for board diversity and expect companies to disclose whether they comply – or, if not, why – with the following targets: at least 40% of board seats and at least one senior board position (Chair, CEO, CFO or SID) held by a woman, and at least one board seat held by someone from an ethnic minority background. 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, we will vote against the election of the chair of the nomination committee of FTSE 350 companies where women or men comprise less than 33% of the Board, and executive teams have no woman. We will vote against the chair of smaller companies with no female or no male board representation. We will vote against the chair of FTSE 100 businesses with materially less than 25% female representation in the combined population of the executive committee and its direct reports. For FTSE 250 we will vote against where it is materially less than 20%. Consideration may be given where a credible plan is in place to rectify low levels of gender 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 The 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 encourage companies to disclose the ethnic make up of their board, and consider reporting more specifically on executive directors, managers, and employees.	We will be continuing engagement with companies to improve disclosure and diversity of ethnicity. We will consider voting against the chair of the board of FTSE 350 companies that do not have at least one director from an ethnic minority background and have no credible plan to rapidly achieve this. Where there are concerns over the quality of reporting we will consider voting against the election of the chair of the nomination committee.
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.

Principle	Outcome/Voting Guideline
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.
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 where independent non-executive directors should account for at least half the board, excluding the Chair. There should be a 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 January 2024.

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 pay level of the CEO and members of senior management, 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 set 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.

Principle	Outcome/Voting Guideline
Clawback/Malus	
Companies should include provisions and specify the circumstances in which the committee would consider it 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 these are 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 six 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 are also supportive of the living hours initiative which supports the living wage in driving stability and productivity in the workforce by providing workers with appropriate notice periods for shifts and with the right to a contract that reflects accurate hours worked.	We will be engaging with companies on the living wage, living hours and precarious work practices as part of the Good Work Coalition and the Workforce Disclosure Initiative. We may consider voting against the remuneration reports of companies where, through our engagement, we identify risks relating to workforce pay levels and precarious work practices. Reflecting the rising cost of living this year salary increases should be ideally lower proportionally than for the workforce and we will consider voting against the remuneration policy where excessive salary increases bigger than the wider workforce have been implemented as well as assessing the ways that companies are supporting workforce, customers and suppliers with the rising cost of living.

Principle	Outcome/Voting Guideline
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 the sustainability of the company. Targets should be meaningful and not perverse e.g., reserves replacement ratios. Companies should adjust for windfall gains as a result of LTIPS issued at a time when markets are unusual impacted by unusual events such as covid. We will be supportive of companies who have taken proactive measures and tough where this has generated huge payouts.	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. Metrics impacted by share buyback should be removed in remuneration calculations. This will be reviewed on a case by case when assessing remuneration.
Pay Ratio	
Disclosure of CEO-to-employee pay ratios is an important section of the annual remuneration report. We encourage companies' 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 consider voting against the remuneration report where companies fail to meet the mandatory requirement to disclose.
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 of 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.

Principle	Outcome/Voting Guideline
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 vested and unvested shares, for a reasonable period of time. We would suggest this is no less than three years.	We will vote against policies where requirements are not at least 400% (FTSE 100) or 300% (FTSE 250).
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 of the company. The remuneration committee should be mindful of potential windfall gains resulting from significant market volatility and take evasive action to remedy excessive unintended gains.	We may vote against the election of the remuneration committee chair and members accountable for questionable pay policies or inappropriate outcomes. We may vote against the remuneration report where excessive windfall gains have not been adequately addressed by the remuneration committee.
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.

Audit

The audit process is vital to ensuring the integrity of company reporting and the 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 vote against inadequate reports in the future. Adopt the framework set out by the TCFD for the management and reporting of climate-related risks and opportunities. Where the risks are particularly acute (for example in energy intensive sectors), this should include conducting scenario analysis to establish the potential financial impacts of climate change on the business at different levels of warming. Companies should ensure that the financial risks associated with climate change and the energy transition are appropriately reflected in reports and accounts. The audit committee should be responsible for ensuring these material risks are explicitly accounted for in the financial statements and the external auditor should be engaged to provide an opinion on this matter.	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. To the extent a company's financial statement does not adequately consider material climate risks and there is no corresponding explanation as to why, we may vote against the audit committee chair, the financial statements and statutory reports and auditor ratification.

Principle	Outcome/Voting Guideline
Auditor Fees	
Fees for external audit should be disclosed in the annual reporting. In general, non-audit fees should not exceed 70% of total firm fees over 3 years or 50% in any one year. Where this 50% threshold is exceeded, and in the absence of compelling justification (for example, one-off costs relating to an acquisition), the audit committee must take immediate action to reduce it, either by tendering for a new audit firm at the next opportunity, or by reallocating non-audit work to a different firm within twelve months.	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.
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. 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.	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.
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 financial statements and statutory reports where there are concerns of fraud or material misstatement.

Principle	Outcome/Voting Guideline
Cyber Security and Artificial Intelligence	
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. Artificial intelligence (AI), despite its numerous uses and significant potential can have negative societal impacts - from bias in algorithms leading to inequitable outcomes to extreme harm in the form of manipulation and terrorism. Companies need to be aware of the risks and embed appropriate governance mechanisms and oversight on ethical use of AI, communicate how and when AI is being used and take steps to minimise risks including through assurance and certification. At the minimum, we expect companies to demonstrate that they have the right structures and allocation of senior level responsibility as well as competence at a senior level to manage AI related risks.	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. We will support shareholder resolutions on a case by case basis where companies are asked to address AI related risks they face through disclosure or other specific actions.
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 interest of both the public and 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 whistleblowing.

Protection of Shareholder and Bondholder Rights

We seek the protection of shareholder and bondholder rights, including the right to access information, to receive equal treatment and to 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 right 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 assessing a commercial transaction, we will consider the following:
▪ Governance: this includes 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:
  ▪ 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
  ▪ Whether the transaction erodes any shareholder rights, which may occur under anti-takeover provisions
  ▪ Any potential conflict of interest concerning the directors' duty to act in the interests of shareholders, particularly where these arise from either existing or newly applicable remuneration arrangements.
	We will vote on a case by case basis considering factors outlined on the left. Any contentious activity will be escalated and assessed by either CRIO or CIO at Brunel, as appropriate.

Principle	Outcome/Voting Guideline
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 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 would still be 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 on resolutions.	We may vote against the election of a director, when that director is poor at responding to shareholders.
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 buybacks: 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 metrics used in incentive plans. Where a buyback triggers Rule 9 of the takeover code and 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. However, if a company seeks to use differentiated share classes to achieve a net positive for stakeholders, such as maintaining continuity with a founder-CEO or family ownership who are genuinely integral to the fortunes of a company, we expect to see strong protections and provisions in place. Specific provisions would include a sunset provision (such that shares revert back to normal rights after a time period), a restriction on transferal of exceptional rights and a cap on the overall ratio of voting right. We would also have to consider companies pursuing these structures to be genuinely exceptional cases. We would generally not support companies who have listed with a single-class structure transitioning to a dual-class structure. For companies seeking to list which already have a dual-class structure in place, we may support such structures if the company commits to provisions such as those listed above (ie, sunset provisions, restrictions on transfer of rights and overall caps on voting rights).	We will generally vote against resolutions which introduce multiple class share structures and vote for resolutions which introduce 'one share, one vote' structure.
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 look at factors like 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.	We consider such resolutions on a case-by-case basis.

Principle	Outcome/Voting Guideline
Political & Trade Association Donations	
We do not support direct political donations to political parties or individual political candidates by companies. As contextualised by the Pensions and Lifetime Savings Association (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. 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	We will consider voting against the authority to make political donations, on a case-by-case basis, particularly where there is no cap on the level of 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 ask questions openly so that it does not appear as though companies are attempting to select the questions they prefer to address. We encourage companies to explore the use of technology such as blockchain 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. We will consider supporting temporary legislation changes to accommodate exceptional circumstances that restrict the ability to hold a meeting in person. 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 in 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.

Getting in touch

If you have any questions or comments about this policy, please email our Responsible Investment team 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