For employers and financial advisers only

Our responsible investment voting policy

Contents

The value of investments may go down as well as up, and investors may get back less than they invested.

Introduction

As the UK's largest investment platform, we have an important role to play in promoting a fairer and more sustainable world. This relates to both how we behave as a business and how we help our customers invest responsibly. Responsible investment should, in our view, ultimately lead to better long-term returns, supporting good governance, wise social practices and careful management of environmental impacts. In other words, it's about protecting our customers' best interests. After all, collectively, we decide what is valuable and what isn't, and therefore shape the world we want to live in.

Owning company shares gives the right to vote on some company decisions, such as the composition of the board of directors, or to approve the amount executives are paid. As an indirect investor, most of our funds are managed by third-party fund managers. Our **Stewardship policy** is primarily implemented through the selection, appointment, monitoring of and engagement with those fund managers. As direct owners of shares, Aegon's fund managers can have a positive influence on the running of the companies they invest in on our customers' behalf.

We monitor our managers' voting activity and the degree to which managers of Aegon's funds adhere to our frameworks and viewpoints as part of our fiduciary duty to act in the best interests of our customers. Through this voting policy, we seek to support encouraging effective stewardship, including alignment of voting and engagement activities by our appointed managers in respect of companies across our portfolios.

This policy should be read in conjunction with our **Responsible investment policy** and our **Stewardship policy**, which set out our minimum expectations of fund managers.

Funds covered by this policy

This policy applies to:

- Shareholder general account assets on the balance sheet of Aegon, i.e. the assets we as a company invest in for the benefit of our shareholders.
- Financial assets invested in Aegon manufactured funds, where we have management control, for example:
    - Insured funds created and owned by Aegon
    - OEIC funds managed by Aegon
    - Aegon With-Profits funds

The framework doesn't apply to the other third-party funds that are available on our platforms.

Voting, and expressing our wishes on voting, to managers

Shareholder votes on resolutions at the companies our funds invest in are cast by the fund managers we've appointed. We expect our fund managers to have a clear voting policy, particularly in relation to topics outlined in this voting policy, and to report to us on their voting activities.

We provide an 'expression of wish' to selected fund managers to set out how we prefer them to vote, in relation to the most significant votes. Factors that inform our definition of the most significant votes include the size of holdings we have in a firm and alignment with our areas of engagement focus, as well as the degree of impact on our financial or stewardship outcomes. Our segregated mandates are managed by Aegon Asset Management who are delegated to vote in line with their own policies.

We discuss our voting preferences with select managers in advance of any resolutions we consider important (i.e. the most significant votes). Subsequently, we monitor the voting behaviours of our key managers against our 'expression of wishes' to engage with them in any areas of divergence.

Voting policy

This policy sets out our expectations of how companies approach material environmental, social and governance (ESG) factors. It acts as a guiding framework by which we monitor and examine our managers' voting activity as part of our fiduciary duty to our clients in holding our managers accountable for the decisions they make.

This policy is reviewed and updated on an annual basis. It is rooted in our commitments as a responsible business and is aligned with our engagement priorities and international good practice standards such as the **ICGN Global Corporate Governance Principles**, the **G20/OECD Principles of Corporate Governance**, the **Principles for Responsible Investment**, and the **Institutional Investor Group on Climate Change Net Zero Stewardship Toolkit**.

We believe in the power of investors to help catalyse systemic change to create sustainable benefits for the economy, environment and society. This involves voting at shareholder meetings and proactively engaging with companies on material ESG factors to ensure they are being managed for the long-term benefit of clients.

Our policy is built around our key thematic priorities for engagement:

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

For companies that do not meet our expectations on our thematic priorities, we support voting against the following categories of routine resolutions, depending on the market and meeting agenda: director elections, report and accounts, discharge of directors, and/or executive remuneration.

We believe a sustainable business begins with having a strong governance structure that enables effective risk oversight and promotion of the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. Accordingly, the policy also sets out our view on good governance practice in the following areas:

- Board composition and effectiveness
- Culture and ethics
- Executive remuneration
- Corporate actions
- Capital management and shareholder rights
- Audit and reporting

The policy provides a general framework for voting analysis, and it applies globally. However, it permits the discretion to reflect local laws or standards where applicable.

Scope of application

Currently, we invest in mostly pooled funds and some segregated funds managed by external managers. As a result, we cannot exercise our voting rights directly and do not engage directly with companies our funds invest in. Instead, our fund managers engage and exercise our voting rights on our behalf in accordance with their own policies. Setting our own voting policy and/or expression of wish (i.e. non-binding requests for managers to vote a certain way) enables more discussions with our managers on voting outcomes and reduces the risk of contrary votes in duplicated holdings amongst multiple managers in pooled funds. The application of our policy therefore focuses on ensuring Aegon and manager alignment on stewardship priorities.

We believe a fund managers' approach to voting should be driven by a set of clearly communicated principles, thus driving confidence that long-term interests are properly and consistently stewarded through voting activities. Accordingly, we expect managers to be able to clearly articulate how net-zero greenhouse gas (GHG) emissions targets, and other material sustainability factors, particularly those relevant to our engagement themes and views, are integrated into voting. Our approach to voting is that shareholders should either vote in favour or against a resolution and only abstain in exceptional circumstances.

This policy describes our expectations of the fund managers in which we invest. We believe that material ESG factors impact the value and reputation of entities in which we invest, in addition to driving systemic risks and opportunities and the promotion of a fairer and more sustainable world.

Voting guidelines

Climate change

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

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

Whilst climate change presents significant risks, it also presents opportunities to invest in the transition to a low-carbon and climate-resilient future. We encourage investee companies to assess the impact of climate change on their business strategies and develop a robust path to net zero or a 1.5°C pathway. We expect company climate disclosures to be aligned with the Task Force on Climate Related Financial Disclosures (TCFD) framework. Company climate disclosure should consider the social impact of their decarbonisation plan and demonstrate how they are ensuring a just transition, making sure no groups are left behind as the world transitions to a low-carbon economy.

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

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

Ambition

Companies should adopt a long-term net-zero ambition consistent with limiting the increase in global temperatures to 1.5°C by 2050 (or sooner).

Targets

Companies should adopt short and medium-term emission reduction targets (scope 1, 2 and 3). The targets should aim to be consistent with the trajectory implied by the long-term ambition and aligned with the relevant sector trajectory. Climate targets should be built around robust methodologies and encourage companies to commit to the **Science Based Targets** initiative (SBTi)'s net-zero standard.

Emission disclosure

Scope 1, 2 and 3 emissions should be disclosed along with a satisfactory review of the company's measurement and verification process. Companies should report on current emissions intensity performance (scope 1, 2 and 3) relative to science-based net zero pathways.

Decarbonisation strategy

Companies should disclose a quantified decarbonisation strategy setting out the measures that will be deployed to meet the company's net-zero commitment and targets. We encourage disclosure to specify the role of climate solutions (i.e. technologies and products that will enable the economy to decarbonise) in the strategy, including the proportion of revenue or production that is generated from climate solutions and its share in overall sales.

Reporting should also cover the use of neutralising actions such as carbon capture, utilisation, storage and offsets. We believe the use of neutralisation actions and offsets should be reserved for all but the most 'hard-to-abate' or residual emissions and over-reliance on such solutions may potentially delay efforts to abate emissions. More specifically, we encourage companies in high emitting sectors to define a fossil fuel phase-out plan, with a clear target for divesting coal assets by 2030 in OECD countries and 2050 in the rest of the world (for companies active in thermal coal mining, trading and/or combustion for energy generation).

Capital allocation

Companies should disclose capital expenditure plans that are consistent with the overall decarbonisation strategy. Disclosure should include the stated value of its capital expenditure that is going towards carbon-intensive assets or products and how it intends to invest in climate solutions.

Climate policy engagement

Companies should disclose the membership of trade associations and address instances where there are significant inconsistencies between a company's publicly stated policy positions and commitments including sustainability and net-zero targets, and potentially conflicting views of trade associations of which the company may be a member. We encourage companies to publicly commit to aligning lobbying with the goals of the Paris Agreement in line with the **Global Standard on Responsible Corporate Climate Lobbying**.

Climate governance

Companies should establish clear oversight of the net-zero transition planning and disclose the board's oversight of and management's role on climate-related issues. Executive remuneration should be linked with climate targets and delivering the transition. Climate metrics should be transparent and measurable and ideally be included in the long-term incentive plan to reflect the long-term focus of emission reduction.

Just transition

Companies should consider the impacts of transitioning to a lower-carbon business model on their workers and communities. We encourage companies to commit to decarbonise in line with the International Labour Organisation's '**Guidelines for a Just Transition**'. We encourage disclosure on how the company intends to consult with workers, local communities and other key stakeholders and support workers (i.e. job retention, training, redeploy, and/or compensation) negatively impacted by decarbonisation efforts.

Climate risk and accounts

Companies should provide disclosures on risks associated with the transition through reporting, including scenario analysis. Where climate change is a material financial risk, companies should appropriately reflect these risks in the assumptions and estimates used to prepare their financial accounts. The annual report should contain an affirmation that climate risks are incorporated into the accounts via a statement that the directors have taken account of climate change in signing off the financial statements.

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

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

Nature

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

We encourage companies, particularly those with high exposure to deforestation risks, to:

- Assess and disclose their impacts and dependencies on nature.
- Develop strategies to minimise, where possible, their impacts on nature loss.
- Consider stakeholder rights and engagement with respect to indigenous peoples and local communities.
- Have a disclosed policy on deforestation, detailing how the company seeks to address risks within their operations and supply chain.
- Adopt and disclose against good practice frameworks, such as the Task Force for Nature-related Financial Disclosures (TNFD) and investor expectations of Nature Action 100.

When assessing corporate performance against our expectations, we will use internal and third-party research (for example, FAIRR's Protein Producer Index and the Global Canopy's Forest 500 Index). Where we have concerns with the lack of progress by management or in case of a material controversy on nature, we will consider the use of our votes on directors' nominations and/or shareholder resolutions, where appropriate.

Diversity, equity and inclusion

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

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

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

- **Board diversity**

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

- **Policy**

  We expect there to be a disclosed policy on board diversity which aligns with the company strategy and succession planning for the board.

- **Measurable objectives**

  Boards should set measurable goals for increasing diversity and regularly report on the progress towards achievement over a defined timeframe.

- **Gender diversity**

  We have different expectations depending on the market and company size, but we generally expect at least a 30% of the board to comprise women. Companies listed in the UK are expected to comply with the Financial Conduct Authority diversity targets concerning at least 40% of the board to be comprised of women directors and for at least one of the senior board positions (Chair, Chief Executive Officer, Chief Financial Officer or Senior Independent Director).

- **Ethnic diversity**

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

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

Workforce diversity, equity and inclusion

We believe investors benefit from public transparency from companies on their diversity, equity and inclusion data management and analytics which provide better insight into the profile of the workforce. We support corporate disclosure, where legally permissible, on information related to inclusion and workforce diversity across several characteristics and metrics; the treatment of staff across the recruitment, retention, development and promotion of employee lifecycle, and how this is broken down across different characteristics and identities. We believe the disclosure of outcome-based metrics allows shareholders to better assess the effectiveness of a company's diversity, equity and inclusion programmes and whether companies are on track to meet their stated goals.

Pay gaps

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

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

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

Human rights, including modern slavery

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

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

- Adopting a public policy commitment to respect internationally recognised human rights.
- Consider actual and potential exposure to human rights risks and issues throughout the supply chain.
- Deploy appropriate procedures to prevent and mitigate the actual and potential risks and issues identified.
- Use qualitative and quantitative metrics to track the ongoing management of human rights risks and issues.
- Disclose the outcomes, and the actions the company has taken.
- Enable or provide access to remedy for those who have been negatively impacted.

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

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

Modern slavery

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

Broader human rights-related considerations

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

- **Human capital management**

  We encourage companies to provide reporting on key performance indicators on the workforce; including the composition of the workforce, workplace safety and standards, employee turnover, absenteeism rates, skills and capabilities, investment in training and development, employee engagement, gender diversity and other useful indicators that can help investors assess human capital management practices.
- **Decent work**

  Companies should respect, support and promote workers' rights to unionise, debate, and collectively bargain or protest. We expect companies to commit to paying a real living wage for all workers (including direct employees and third-party contractors).
- **Health**

  Where relevant, we encourage companies to develop corporate strategy and disclosure in the areas of health and nutrition. For example, sick pay, fair drug pricing, healthy diets and antimicrobial resistance.

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

Shareholder proposals

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

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

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

Value-aligned and material

Is the proposal aligned with our values and material to the company, its sector and stakeholders? We seek to ensure that our approach to voting on shareholder proposals is aligned with our engagement priorities and voting guidelines.

Prescriptiveness

The binding nature of the proposal and its prescriptiveness. We may not support proposals that seek to micromanage companies and constrain the decision-making of the board or management. We do not view it appropriate for shareholders to seek to direct companies on how they should manage their business, but to provide oversight and guidance through dialogue, engagement and voting.

Value-adding

The proposal adds value to what the company is already doing and is the right approach to address the issue. This could include whether the adoption of the proposal would provide information to shareholders to better understand how the board identifies and manages risks and encourage companies to move towards ESG best practices.

Credibility

The content and intent of the proposal, and the proponent behind the proposal. We will examine the credibility of the content and intent of the proposal and whether it has been filed to further good governance and risk management or for other reasons (i.e. political purposes or individual grievance).

Unintended consequences

Whether the costs and risks of implementation outweigh the benefits. We will examine whether the enactment of the proposal could cause significant unintended consequences on the company's stakeholders, taking into consideration a range of relevant factors, including cost, sector, geography, and economic climate.

Environmental proposals

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

Social proposals

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

Governance proposals

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

Governance

Board composition and effectiveness

Company boards

A company's board of directors play a key role in decision-making and ensuring the long-term viability of the company. We evaluate board composition and effectiveness, including director independence, diversity and overcommitment, when voting on director election.

A board should be of sufficient size to maintain the needed expertise and independence and not be too large to become unwieldy and function inefficiently. The board should comprise of a majority of independent non-executive directors, although local market practices may be taken into account. We support the definition of independence as set out in the International Corporate Governance Network (ICGN) Global Governance Principles.

Diversity in boards is encouraged as it widens perspectives and experiences, enhancing effectiveness and decision-making. Boards should disclose and report against the company's policy on diversity, equity and inclusion to the extent permitted by law which should include measurable goals and period for achievement.

Boards should consider the views of the workforce for better alignment of interests and insight into operations. Employee engagement mechanisms may vary depending on market and company structure and can include appointing a designated non-executive director for employee engagement or a formal workforce advisory panel.

Boards should conduct regular evaluations to ensure optimal performance and an appropriate mix of skills and competencies. Annual internal evaluation and external assistance every three years are recommended. Disclosure of the outcome and any resulting steps should be made.

Overcommitment is a governance risk as service on too many boards can interfere with the performance of board members. Companies should disclose information on the external roles held by directors and the attendance records of individual board members. We may support voting against a director who is overcommitted or has a low attendance record.

Leadership

We believe the Chair of the board should be independent on appointment. Companies should explain if the Chief Executive Officer and Chair roles are combined for an extended period and appoint a Senior Independent Director to offer an independent counterbalance.

Board committees

Boards should have specialised committees to support their oversight functions, including for audit, nomination, and remuneration. Audit and remuneration committees should be wholly independent, and the nomination committee should be at least half-independent. The audit committee should have an appropriate level of accounting and/or financial expertise.

Director elections

Director elections should ideally be carried out annually and individually. In markets where annual elections are not normal practice, directors should be subject to re-election at least every three years and we will oppose proposals to classify the board. In uncontested elections, majority voting should apply, while plurality voting should be used in contested elections. It is essential for companies to provide detailed biographical information on each director candidate before the vote at the meeting.

Culture and ethics

We believe corporate culture is integral in managing material ESG risks and opportunities. We encourage companies to explain the company's corporate culture and values, as well as disclose how the board ensures that these are being applied across the organisation. We encourage companies to disclose information, including how they monitor the company's culture and its alignment with the company's purpose, values and strategy, as well as any key performance indicators and remuneration incentives that drive alignment to culture.

Bribery and corruption

We encourage companies to establish and disclose processes to mitigate the risk of bribery and corruption.

Whistleblowing

The board should ensure that the company has in place an independent, confidential mechanism whereby a worker, supplier, shareholder or relevant stakeholder can (without fear of retribution) raise issues of particular concern regarding potential or suspected breaches of a company's code of ethics or local law.

Responsible tax

It is considered good practice for a company's board to have a published tax policy indicating the company's approach to planning and negotiating tax matters, and to allow shareholders to monitor its handling of financial, regulatory and reputational risks in this area.

Political donations and lobbying

The board should have a policy on political engagement, covering lobbying and donations to political causes or candidates. We encourage companies to publicly disclose their membership of trade associations and industry body memberships and any payments and contributions made. Boards should monitor and disclose any significant inconsistencies between a company's publicly stated policy position and industry advocacy activities and explain how any inconsistencies are addressed.

Executive remuneration

Remuneration principles

Executive remuneration should be designed to equitably and effectively support long-term sustainable success, in line with business strategy. It should also align the interests of executives with the company's purpose, values and shareholder interests.

The gap in the pay of the workforce and senior management is a significant contributor to levels of income inequality within firms and wider socio-economic consequences of economic inequality. The board should ensure the level of remuneration available is reasonable in both structure and quantum and is determined within the context of company values, internal reward structures and competitive drivers while being sensitive to shareholders and employee and stakeholder expectations. To this end, executive remuneration should not exceed what's necessary to execute the company's strategy and incentivise appropriately.

Companies should disclose directors' remuneration individually and in detail so that shareholders can make a fair assessment. There should be an appropriate balance between fixed and incentive pay with disclosed limits for incentive pay. Performance metrics should be clearly disclosed, stretching, and align with a company's strategy and business model. Retesting or retrospective changes to performance conditions is not acceptable. We are generally not supportive of the grant of one-off awards, such as transaction bonuses, as they may undermine existing plans. Long-term incentive schemes should utilise performance and vesting periods measured over a timeframe aligned with the delivery of long-term shareholder value. Remuneration committees should consider deferring a portion of the annual bonus in shares and encourage executives to maintain a material share ownership in the company to enhance alignment with shareholders.

We encourage the responsible use of discretion by remuneration committees to ensure incentive awards are aligned with performance and outcomes appropriately reflect the impact of significant ESG incidents. Where discretion is used, the committee should disclose the reasons that led to the application of discretion and how the adjusted outcome is aligned with the interests of shareholders. Remuneration committees should maintain appropriate mechanisms to safeguard from inappropriate outcomes, such as clawback provisions and contractual arrangements that avoid material payments on early termination and/or preferential treatment of equity on a change of control.

Non-executive compensation should be structured in a way that aligns their interest with the long-term interests of shareholders without compromising independence.

ESG in remuneration

We encourage companies to consider incorporating meaningful ESG targets in remuneration, where these factors have a significant material impact on the company's performance. Remuneration committees should carefully consider which metrics are right for the company and its circumstances. Metrics should be of high quality, measurable, specific, aligned with the company's strategy, and appropriately weighted. Companies that operate in high climate impact sectors, should link executive incentives with the company's climate transition plan and emissions reduction aligned with a 1.5°C net-zero goal. If a company is from an industry where ESG issues can be significant contributors to business success and chooses not to include any such factors in executive pay, we expect the company to explain the reasons for this.

Corporate actions

Investment decisions (mergers, acquisitions and related party transactions)

Major transactions in the form of mergers, acquisitions, joint ventures and disposals are a necessary part of corporate life. We believe all such transactions should apply a disciplined approach and progress should be monitored closely to ensure the original objectives are being met.

The board should develop, adopt and disclose a Related Party Transactions (RPT) Policy and have a robust process for approving, reviewing and monitoring RPTs and any inherent conflicts of interest. This should include the review of significant RPTs by independent directors to determine that they are in the best interests of the company and shareholders, and on terms that are fair and reasonable.

We evaluate investment decisions on a case-by-case basis, considering their potential long-term benefits for the company and shareholders. We encourage full disclosure of relevant information and separate resolutions on issues requiring shareholder votes. We also assess potential ESG risks, including climate change risks, and consider whether ESG factors have been considered during due diligence.

Capital management and shareholder rights

Voting rights

We believe in the principle of 'one-share-one-vote' to ensure that all shareholders are equal. Deviations from this should be avoided. Where a share structure deviates from a one-share-one-vote, we expect boards to review such share structures regularly and adopt a reasonable sunset provision to phase out the structure (ideally, seven years or less from the date of the initial public offering).

Capital allocation

Companies should disclose a clear policy on capital allocation that balances the needs of shareholders, employees, and other stakeholders while maintaining a sufficient level of capitalisation and liquidity to cushion against foreseeable risks. Pre-emption is an important shareholder right to protect existing shareholders from dilution. We support authorities to issue shares that are in line with regional best practice guidelines.

Share buybacks can be a valuable tool to manage capital and provide returns to shareholders. Buyback authorities should be reasonable in size, and the maximum purchase price should not include a significant premium. Boards should disclose the intended purpose of the buyback, as well as the potential impact it may have on earnings per share, total shareholder return, and net asset value. This is especially important when these metrics are used in executive remuneration

Anti-takeover provisions

Shareholders should have a say in takeovers without their rights being curtailed. Anti-takeover devices should not be used to shield management and entrench against the interests of shareholders. We support voting against anti-takeover provisions that serve to protect management against the interests of shareholders.

Article amendments

It is common for management to present a resolution to shareholders to modify or update the articles of association. We generally endorse such amendments if they are transparently stated in the meeting documents, and the amendments do not diverge from good practices, diminish shareholder rights, or go against the interests of existing shareholders.

Virtual meetings

Shareholder meetings should allow for both physical and virtual participation (known as a 'hybrid meeting'). Virtual-only meetings may be supported on a temporary basis in exceptional circumstances, such as due to public health reasons. Where a virtual-only meeting is held, boards must ensure the technology used allows for effective shareholder participation and the facilitation of open dialogue, allowing shareholders to voice concerns and provide feedback without undue censorship.

Voting at meetings

Companies should disclose meeting procedures ahead of time to enable shareholders to vote in an informed manner. This should include information on meeting format, registration, access, participant identification, shareholding verification, voting options and Q&A approach. Each substantive resolution should be voteable in its own right; therefore, the bundling of two or more matters for consideration under one resolution is strongly discouraged. All matters on the ballot should be voted by poll and voting by a 'show of hands' should not be permitted.

Following the conclusion of the meeting, the voting results should be made publicly available. If 20% or more of the votes go against the board's recommendation, the board must explain what impact shareholder feedback has had on decisions taken, and any actions or resolutions now proposed.

Audit and reporting

Annual report and accounts

Financial statements and auditor reports should present an accurate and fair view of the company's position and long-term prospects. Companies should submit their annual report and accounts, signed off by an independent, competent, and qualified auditor, well before the annual general meeting, in line with high-quality auditing standards. Where we have concerns with financial reporting or audit processes, we support voting against approving the annual report and accounts, and/or the election of members of the audit committee.

External auditor

Statutory audits are important for shareholder protection. The auditor's independence is essential as shareholders depend on the information presented in company reports to make informed decisions. We believe that high non-audit fees can undermine auditor independence and a clear breakdown of the fees paid for audit and non-audit services should be reported. Long audit tenure may also compromise independence and objectivity and we encourage audit committees to adopt a policy on tendering and rotation in line with best practice guidelines.

Risk management

The board of directors is responsible for overseeing the implementation of strategic and operational risk management, as well as internal audit and control systems. We expect companies to establish board-level risk oversight and disclose any material ESG risks, and how they manage or intend to manage them. Boards should set standards for corporate responsibility and establish a culture with defined values to reduce risks to the company's sustainability and reputation.

Cyber security risks

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

Sustainability reporting

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

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

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

Climate change accounting

Where climate risks result in material impacts for a company's financial outlook and accounting assumptions, we would encourage these to be reflected in the financial statements. We also encourage key accounting assumptions to be consistent with disclosures made in the narrative section of the company's annual repo rt and accounts. The external auditor plays an important role in ensuring that management has implemented appropriate procedures for accounting for climate risks and we encourage the auditors to disclose how climate-related risks have been considered as part of the audit process (particularly for companies in sectors that are materially exposed to climate risks).

For more information on our approach to responsible investing and sustainability please visit our website:

For employers: aegon.co.uk/workplace/responsibleinvesting

For financial adivsers: aegon.co.uk/adviser/responsibleinvesting

Or please speak to your usual Aegon contact.

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