THE PLSA VOTING GUIDELINES

Our Guidelines aim to support scheme investors, their asset managers and proxy voting agents in forming judgements on the resolutions presented at a company's AGM.

Our Guidelines are not intended to be prescriptive, as we understand that investors of all kinds will take different approaches. Instead, they aim to help investors understand under what circumstances and how they should effectively apply a voting sanction.

Investors should take the decision to vote against management only after consideration of any explanation provided by the company for non-compliance with the Corporate Governance Code, as well as the extent to which investors' expectations have not been met (or previously raised concerns not addressed). This should include consideration of particular circumstances and take place, ideally, after a meaningful engagement process (either individually or collaboratively) that gives sufficient time for the company to respond.

Under UK law,[16] the resolutions tabled at a company meeting usually cover the following areas:

- Annual Report and Accounts
- Approval of the Remuneration Policy
- Approval of the Remuneration Report
- Re-election of the Chair
- Re-election of Directors
- Appointment of the Auditor and Authorise Remuneration of the Auditor
- Related Party Transactions
- Approve Final Dividend
- Issuance of New Shares
- Market Purchase of Shares
- Authorising Political Donations
- Articles.

COMPANY ARTICLES

Company boards should regularly review their Articles, consult with major shareholders on material amendments and make the Articles readily available for inspection. Any changes must be accompanied by a clear and reasonable articulation as to why they will not detract from shareholder value or materially reduce shareholder rights. If shareholder approval is sought for changes which are non-routine, then this should be presented as a distinct voting item and should not be bundled into a single resolution with other matters.

[16] Companies Act 2006, The Stationery Office <https://www.legislation.gov.uk/ukpga/2006/46/contents>.

SHAREHOLDER RESOLUTIONS

In addition, investors may table their own resolutions or support those tabled by others. When this happens, companies should provide a comprehensive outline of their position on the resolution and be available to engage with shareholders as necessary.

Shareholders should consider supporting proposals that will protect or further enhance shareholder rights and transparency, and which aim to improve corporate reputation and/or the long-term, sustainable success of the company.

HOW TO USE THESE GUIDELINES

The Guidelines are split into sections that mirror the five relevant UK Corporate Governance Code Sections. We have also added separate sections on Climate Change and Sustainability, Workforce, and Capital Allocation and Structure. There is also a final section which encourages investors to 'take a step back' and assess the company holistically in line with the PLSA's Corporate Governance Policy.

Each section seeks to answer the following questions:

- What does good company behaviour look like?
- What are the relevant resolutions?
- How should investors consider voting (including appropriate resolutions for escalation)?

A key issue for schemes to consider on any issue is the level of disclosure. Without clear, sufficiently detailed and meaningful disclosures about a company's board or its governance practices, it can be very difficult to arrive at an informed opinion about the quality of its compliance.

If investors are unhappy with the level of disclosure, they should very closely assess a company's explanations of non-compliance with the 2018 UK Corporate Governance Code. They should also consider this in their overall assessment of how to vote at a company's AGM.

HOLDING DIRECTORS ACCOUNTABLE

The PLSA believes that one of the most effective ways of using a vote to effect change is through holding relevant Directors individually accountable on core areas of concern.

However, investors continue to remain reluctant to do so. For instance, our analysis[17] shows that investors continue to express high levels of significant dissent on remuneration-related votes (i.e. the Remuneration Policy or Report), and that this is only rarely accompanied by a vote against the Remuneration Committee Chair or the Chair of the board.

[17] Pensions and Lifetime Savings Association 'PLSA AGM Voting Review', Pensions and Lifetime Savings Association (2019) <https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2019/AGM%20report%202019_FINAL.pdf>.

Schemes have a fiduciary duty to their beneficiaries to act in their best interests. An important part of this is exercising voting rights to send the clearest possible message to companies that repeatedly fail to respond to legitimate investor concerns.

We strongly encourage scheme investors to communicate their expectations to managers and advisers on how they expect their vote should be cast, including against individual Directors.

Our Voting Guidelines focus on putting this stance on individual accountability into practice, offering guidance to investors as to who they should be holding accountable through their vote regarding major issues and under which circumstances.