

M&G Voting Policy



Introduction

Approach

M&G's approach to stewardship is set out in our document 'M&G and the UK Stewardship Code', available on our website. An active and informed voting policy is an integral part of our investment philosophy. In our view, voting should never be divorced from the underlying investment management activity. By exercising our votes, we seek both to add value to our clients and to protect our interests as shareholders. We consider the issues, meet management if necessary, and vote accordingly.

We aim to vote on all resolutions at general meetings of companies held in M&G's actively managed portfolios, as well as our UK passive holdings. Typically, M&G votes by proxy at general meetings, but on occasion we will attend a general meeting where our clients' interests are best served by us doing so.

When considering resolutions we look to support management, but the ultimate decision will be determined by an assessment of the impact on our investments and the long-term interests of our clients. In determining our vote, a number of factors will be taken into consideration including our voting policy, company specific information and the extent to which we have been able to obtain any additional information required to make an informed decision.

We will vote against proposals that compromise our clients' interests. We may not vote in favour of resolutions where we are unable to make an informed decision on the resolution because of poor quality disclosure, or due to an unsatisfactory response to questions raised on specific issues. We would always seek to discuss any contentious resolutions with company management before casting our votes, in order to ensure that our objectives are understood. However, we consider it unnecessary to inform investee companies ahead of meetings of routine capital management resolutions that we typically oppose, as our position is clearly disclosed.

Any shares on loan may be recalled whenever there is a vote on any issue affecting the value of shares held, or any issue deemed to be material to the interests of our clients.

We disclose our voting records on our website on a quarterly basis.

Policy guidelines

These voting policy guidelines set out our expectations across the range of shareholder issues and indicate our voting stance on them. Our approach, founded in UK corporate governance best practice and investment stewardship, is similar across international markets where we expect investee companies to be sustainable and successful in the long-term through a balance of strong leadership and accountability.

Ultimately, every proposal will be evaluated on its merits, based on circumstances relevant to each individual company. High-level principles guide our voting policy guidelines, but company-specific factors are always considered.

Voting implementation

Our preference is to either vote 'For' a resolution or 'Against' it. On some occasions, where we have concerns and/or information is lacking, we may 'Abstain'. Investee company policies, arrangements and disclosures that fall short of our voting guidelines and the standards of the local market will typically be voted against. Alternatively, policies arrangements and disclosure that fall short of our voting policies, but which reflect usual practice in the local market, will typically be supported. We may abstain on proposals that do not meet our expectations but where the company has made changes or has promised changes that significantly improve the position; or where we have not had sufficient opportunity to discuss our concerns.

Remuneration

M&G's voting policy on remuneration is contained within a separate document.

Shareholder Meetings/Articles/Constitution/Bye Laws

Shareholder meetings provide an important opportunity for shareholders to hold directors to account; and for shareholders to express their views on strategy, corporate governance and corporate social responsibility matters.

Changes to the Articles/Constitution of a company should be examined regarding the need for the company to continue operating efficiently and effectively, while respecting and maintaining rights and protections provided to shareholders. The powers granted to directors should not be excessive and the ability of shareholders to hold directors to account should be sufficient. In principle, all shareholders are equal, and companies should not issue share classes enshrining differing rights.

Issue	Comment	Voting
Shareholder meetings	Shareholder meeting attendance is a basic shareholder right and requirements for entry should not be overly burdensome, although with due regard to necessary security.	We will oppose changes to the articles/constitution which unnecessarily restrict shareholder participation in shareholder meetings.
Virtual meetings	In our view, the use of a virtual channel, alongside a physical meeting, to increase participation would be positive. We have reservations with regard to virtual-only meetings; and companies should set out clearly how full and proper participation would be ensured.	We will support amendments to a company's articles/constitution that provide for hybrid meetings and oppose provision for virtual-only meetings, unless an appropriate annual authority is obtained from shareholders.
Right to call meetings	We support shareholders' right to call special meetings of the company where an appropriate minimum ownership threshold is in place.	We will generally support proposals to grant these rights to shareholders and against proposals to limit them.
Restricted voting rights shares	We are not in favour of share classes with differing rights.	We will oppose the creation of differential voting shares.
Supermajority vote requirements/Special resolutions	In principle, voting by a simple majority is the most appropriate basis for shareholders to pass resolutions. However, resolutions requiring a super-majority (eg special resolutions in the UK) often serve to protect shareholder rights and are enshrined in law. We also recognise that a super-majority requirement may also serve to entrench the status quo and obstruct change that would be in shareholders' interests.	In principle, we are supportive of protecting shareholder rights; and opposed to use of super-majority requirements that are not in shareholders' interests.
Shareholder resolutions (including Proxy Access requests)	Shareholders should have the right to propose resolutions at general meetings with an appropriate shareholding hurdle specified. The hurdle may be specified in company law.	We will support proposals that ensure shareholders are able to propose resolutions appropriately.
Bundled resolutions	Proposals seeking authority for more than one action or authority lack proper accountability, denying shareholders the opportunity to consider issues separately.	We will consider opposing bundled resolutions, taking into account any potential detrimental effect on the company's ability to operate.

Issue	Comment	Voting
Requirement for directors to be re-elected by shareholders	<p>Methods and standards for electing directors can vary throughout the world. In our view, directors should seek re-election regularly and preferably annually. Election should require support from greater than 50% of the votes cast.</p> <p>Accountability to shareholders through re-election will influence our deliberations of other management proposals.</p> <p>A 'bundled' resolution is where the re-election of directors is contained within a single resolution (thereby reducing the accountability of individual directors).</p>	<p>We will support proposals that ensure all directors stand for election every year (or proposals that move towards this position); and oppose proposals that reduce accountability to shareholders.</p> <p>Standard practice in local markets will be taken into consideration.</p> <p>We will consider opposing bundled resolutions.</p> <p>Local legal requirements will be considered.</p>
Alternate directors	<p>An inclusion of alternate directors within a company's constitution is usually considered a concern due to alternate directors' lack of accountability.</p> <p>In Japan, alternate directors are a regular feature of corporate governance and are important, as directors can only be appointed through a shareholder meeting. Therefore, not having alternates may disrupt the functioning of a board and be detrimental to shareholders.</p>	<p>We typically oppose the creation of alternate director positions except in Japan.</p>
Takeovers/schemes of arrangement	<p>Investment analysis will determine the voting decision.</p>	<p>We consider each resolution on its merits.</p>
Shareholder rights plans	<p>These supposedly aim to protect the company for a limited period of time when a new significant shareholder has objectives that may or may not benefit all shareholders on the register. While purporting to be in shareholders' interests, in our view they are often designed to entrench management.</p>	<p>We will oppose arrangements that significantly disadvantage shareholders.</p> <p>Proposals are analysed on a case-by-case basis from a sceptical point of view. We are generally unsupportive unless convincing arguments are provided.</p>
Written consent powers	<p>Shareholders in US companies may have the power to act by written consent; or may seek the power to act by written consent.</p> <p>The managements of US companies may use powers previously granted by written consent instead of seeking shareholder approval at a shareholder meeting.</p> <p>We believe that written consent undermines shareholder democracy and our preference is for proposals to be considered and decided through general shareholder meetings.</p>	<p>We will generally oppose adoption of written consent powers.</p>
Borrowing Limits contained with Articles/Constitution	<p>Companies should have an appropriate borrowing limit set out in their articles/constitution.</p>	<p>We will consider opposing a change that would exceed two times shareholders capital and reserves.</p>
Adopting the jurisdiction of incorporation as the exclusive forum for certain disputes	<p>The aim is to reduce the cost and/or distraction of protecting the company from lawsuits across multiple territories, which are typically triggered after M&A. This is typically in shareholders' interests but does modestly reduce shareholder rights.</p>	<p>We will support proposals where the company has a history of improving shareholder rights.</p> <p>Proposals will be analysed on a case-by-case basis while considering the company's history of lawsuits and other changes to shareholder rights.</p>
Fiscal Councils (Brazil)		<p>We will typically vote in favour.</p>

Share Capital and Listing Status

In our view, corporate equity structures should consist only of voting shares with equivalent rights. Potential dilution resulting from share issuance is closely monitored. In principle, M&G expects all shareholders to be given pre-emption rights as a matter of fairness and preventing the potential transfer of wealth to third parties.

Issue	Comment	Voting
Share issuance (pro-rata)	Authorities to issue an amount not exceeding two thirds of issued share capital on a pre-emption basis are generally acceptable where directors are appropriately accountable. Particular circumstances may justify a higher amount, but a full explanation would need to be provided.	We will typically oppose where the amount exceeds two thirds and where accountability and justification are inadequate.
Share issuance without pre-emption rights	<p>We consider the right of first refusal in respect of new share issuance to be essential for existing shareholders. However, it is recognised that companies need some flexibility to issue some shares on a non-pro-rata basis.</p> <p>In such circumstances, authorities should not exceed 5% of issued share capital for UK listed companies unless the market capitalisation is less than £500m in which case 10% is acceptable. In non-UK markets, 10% is often the norm and we would usually be supportive.</p> <p>Higher amounts should be justified, and this may take into account typical practice in the market where the company is listed.</p> <p>No more than 7.5% of the issued share capital should be issued in any three-year period.</p>	Amounts that breach our limits, or with a discount of more than 5%, will typically be opposed without exceptional justification.
Issuing shares from Treasury	Issuance of treasury shares should be treated as new shares and included within the limits outlined above.	Amounts higher than these limits will typically be opposed without exceptional justification.
Investment Trust treasury shares issuance	Generally, shares should only be issued at a price greater than net asset value (NAV). However, we consider supporting resolutions where the price is above that at which they were purchased; the discount to NAV is no greater than 1% and the dilution equals no more than 0.5%.	We will typically oppose issuances that do not meet M&G limits criteria.
Return of capital	<p>All shareholders must be treated equally.</p> <p>Dividends are generally preferred to buy-backs.</p> <p>Share repurchase amount should not exceed 15%. Account will be taken of the potential effect on significant shareholdings. UK share repurchase authorities should state a 5% premium price limit, while non-UK should have a 10% limit. Consideration should be given to the wider context including opportunity on price and appropriate use of capital. Our preference is for companies not to have a significant number of shares held in Treasury.</p> <p>Issuance of B and C shares to provide shareholders the option of capital return by income or capital.</p>	<p>We will typically support authorities to make share repurchases.</p> <p>In the UK, shareholder authority should be obtained through passing a special resolution; and the duration should not exceed one year.</p> <p>We will consider opposing if the number of shares held in treasury is excessive and the company has a history of issuing treasury shares in contravention of pre-emption rights.</p> <p>We typically support returns of capital via the issuance of redeemable shares.</p>
Shareholder control and waivers from mandatory bids resulting from increased shareholding level after share repurchases.	<p>A shareholder should not gain control or increase control as a result of share repurchases.</p> <p>Waivers that may result in a controlling shareholder or concert party increasing their shareholding between 40% and 50% are of particular concern.</p>	We would look on a case-by-case basis, but typically we would oppose Rule 9 waivers and international equivalents where the effect of share repurchases affect control or approach controlling levels.
Convertible Contingent Liability Instruments (Cocos)	Despite the disapplication of pre-emption rights and potentially significant dilution for existing shareholders, we are mindful of the regulatory requirement for tier 1 capital for companies in the financial services sector and will therefore support these types of resolutions.	

Directors and Board Structure

Directors are responsible for controlling and directing the company in the interests of all shareholders. Boards are expected to be effective and accountable. Directors should not be beholden to any other director for their position on the board and should be able to freely express their opinions. Boards should be comprised of an appropriate balance of executives and independent directors. The roles of chairman and CEO should be separate. When the roles are combined there must be strong independent non-executive representation.

Directors should have meaningful shareholdings to promote alignment with shareholders generally.

Boards should regularly consider the issue of gender and ethnic diversity in respect of board composition and the employee population.

It is important when considering the board and individual directors for re-election that full and complete biographical information is disclosed to shareholders.

We consider opposing resolutions for the election or re-election of a director to be an action of last resort, due to the potential significant negative effects on the company by removing a director at a shareholder meeting.

Issue	Comment	Voting
Board structure	<p>Board structures vary significantly across the world and between larger and smaller companies. While we respect differing approaches to corporate governance in different markets, we shall use our influence as shareholders to encourage boards to function effectively with appropriate accountability to shareholders and other stakeholders.</p> <p>In our view, strong leadership is required to further a company's success and independent directors are needed both to oversee and advise corporate leaders; and to protect the interests of shareholders and other stakeholders.</p> <p>The responsibility for ensuring the effectiveness of the board in its multi-faceted collective role lies with the chairman who should ensure that diversity in knowledge, background and gender is harnessed for a board's efficacy.</p> <p>Board evaluations, succession planning and director training are all vital aspects of an effective board and should be demonstrated through appropriate disclosure to shareholders.</p>	<p>We may consider it appropriate to oppose the re-election of the board chairman or the nomination committee chairman where we have concerns over board composition, succession planning or any other aspect of corporate governance. In particular, when a non-executive has not been appointed within the last five years.</p> <p>We may oppose the re-election of a non-executive director who is not regarded as independent if there are insufficient independent directors in the board.</p>
Chairman	<p>The chairman is responsible for the effective and efficient functioning of the board. Our strong preference is that the CEO does not become chairman of the company.</p> <p>No more than two large company chairmanships should be held.</p>	<p>Concerns about the chairman would usually be discussed with the senior independent director.</p> <p>We will consider opposing the vote for a CEO to become chairman without justification.</p>
Chief executive	<p>The chief executive's focus should be on developing the corporate strategy for board approval and implementing it. The position should not be combined with that of the chairman. CEOs should sit on no more than one external board.</p> <p>Concerns about the chief executive would only be expressed through voting after discussions with the chairman and as a final resort. Local market practice to be considered.</p>	<p>Concerns about the chief executive, corporate strategy or performance would typically be expressed in discussions with the chairman rather than through voting, depending on the size of our holding.</p>

Issue	Comment	Voting
Combined chairman and chief executive	<p>Our preference is for the positions of chairman and chief executive to be separate.</p> <p>When the roles are combined, we expect the power of the position to be counterbalanced on the board by a number of strong independent directors with one of their number designated as a senior or lead independent director. The composition and remit of the nomination committee should reflect the importance of ensuring the power is not concentrated on one individual.</p>	<p>Despite our reservations over the combined role, it is rarely in shareholder's interests to oppose the re-election of an individual to the position. Our voting will therefore reflect our desire for the composition of the board to be appropriate with the presence of sufficient independence.</p>
Chief financial officer	<p>The chief financial officer should be a board member; and should not have formerly been the company's auditor, unless there has been a suitable 'cleansing' period.</p>	<p>We will consider opposing or abstaining on re-election when connected with a company's auditor.</p> <p>Typically, we prefer that the chief financial officer does not become chief executive unless there has been robust succession planning process.</p>
Executive directors	<p>Certain executive directors, in particular the chief financial officer, should have a place on the board to balance the views of the chief executive.</p> <p>This is not always the case in international markets but should be encouraged.</p>	<p>Unless we have specific concerns, we will typically vote in favour of executive director election/re-election.</p>
Non-executive directors (NEDs)/outside directors	<p>Along with the chairman, non-executives are expected to provide oversight of companies' management together with advice and support. The majority of non-executive directors should be independent (see below)</p> <p>If non-executive directors hold more than four non-executive directorships, then they need to justify that they have sufficient time to fulfil their fiduciary duties (see multiple directorships below).</p> <p>It is particularly important that sufficient biographical information is disclosed to shareholders.</p> <p>Board refreshment should be under regular review.</p>	<p>We will consider opposing the election/re-election where we have concerns over independence or meeting attendance.</p> <p>We will consider abstaining if insufficient biographical information is provided.</p> <p>We may consider it appropriate to oppose the re-election of the board chairman or the nomination committee chairman where a non-executive has not been appointed within the last five years.</p>
Independence criteria	We consider a non-executive's independence to be impacted if he/she:	
Former employee	has been an employee of the company or group within the last five years;	
Business/financial relationship	has, or has had within the last three years, a material business or financial relationship with the company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;	
Remuneration	has received or receives additional remuneration from the company apart from a director's fee, participates in the company's share option or a performance-related pay scheme, or is a member of the company's pension scheme;	
Family	has close family ties with any advisers, directors or senior employees of the company or its customers, suppliers, major shareholders, or other organisations that have received payments from the company;	
Cross-relationships	holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;	
Significant shareholder	represents, personally owns or is a member of a concert party that controls 3% or more of the voting capital; or	
Tenure	has served on the board for more than nine years from the date of their first election.	
Board committee chairperson	<p>The chairs of the board committees should be independent non-executive directors, with the exception of the nomination committee where it is usually appropriate for the board chairman to hold the position.</p>	<p>Where we have concerns over issues for which a board committee has responsibility, we will consider opposing or abstaining on the re-election of the respective committee's chairman.</p>
Board committees	<p>Board committees, in particular audit and remuneration committees, should be established with clear terms of reference, the ability to obtain the information and advice as necessary and membership that allows them to properly fulfil their duties independently of management.</p>	<p>Where we have concerns over the ability of a board committee to function in the best interests of shareholders, we will consider opposing the re-election of committee members.</p>

Issue	Comment	Voting
Honorary presidents and senior advisors at Japanese companies (Soudanyaku)	Positions within a corporate governance structure should be through merit with appropriate accountability and oversight. In our view, it is inappropriate for former executives to retain unaccountable positions of influence and power.	We will not support the creation of positions of influence and power that are free from proper accountability.
Meeting attendance	Attendance at board and committee meetings is central to the role of a director. Companies are encouraged to disclose attendance information.	We will consider opposing or abstaining on a director's re-election if meeting attendance is poor.
Multiple directorships	Directors should have sufficient time to devote to their responsibilities, taking into account potential periods of time of unexpected corporate difficulty.	We will consider opposing or abstaining on directors who do not appear able to devote sufficient time to the role, indicated by, for example, poor attendance at board meetings.
Alternate directors	Alternate directors lack accountability to shareholders. However, in Japan, alternate directors are a regular feature of corporate governance and are a necessity to avoid breaching certain regulations because directors can only be appointed through a shareholder meeting. Not having alternates may disrupt the functioning of a board and be detrimental to shareholders.	With the exception of Japan, we will typically oppose the election of alternate directors (other than in exceptional circumstances).
Employee representative directors	Employee directors are a corporate governance feature in some countries. In principle we believe that directors should work for the benefit of all shareholder and stakeholders.	We will consider opposing the introduction of employee directors. In countries where employee directors are a requirement or common practice we will typically support uncontroversial candidates.
Director shareholdings	All executive and non-executive directors should build a meaningful shareholding in the company in order to help align directors' and shareholders' interests.	We will consider opposing or abstaining on the election/re-election of directors who do not have meaningful shareholdings after a reasonable time on the board.
Pledging	We do not support the pledging of company stock by directors or executives as collateral for a loan where the shares involved form a portion of the shareholding requirement unless it is for a small amount (less than 10% of their holding), the shares are fully granted and their disposal is not restricted in any way. The practice of significant pledging of company stock will be considered as a factor when assessing the re-election of relevant directors.	We will consider opposing or abstaining on the election/re-election of directors who pledge or hedge shareholdings.
Hedging	Potential falls in the value of vested or unvested shareholdings should not be hedged through the use of put options or any other instrument.	
Early crystallisation of unvested incentive awards	Early crystallisation of unvested incentive awards through third party agreements is not acceptable.	

Audit and Accountability

Company auditors should in principle be independent of company boards and directors. Independence may be compromised by the fees they receive.

Companies should demonstrate through disclosures to shareholder and other stakeholders that all the risks facing the company have been identified and assessed; and that effective governance and management structures are in place in relation to them.

Issue	Comment	Voting
Auditor remuneration	Non-audit fees should not compromise the auditor's independence – we would expect non-audit fees to be no more than the audit fee plus related items. Full disclosure of the auditor's remuneration, including a breakdown of non-audit fees, should be provided in the annual report.	We will consider opposing the re-appointment of the auditor when independence is compromised by the level of non-audit fees.

Issue	Comment	Voting
Risk Identification and management	Risks, and in particular cyber risks, should be identified and effectively managed. When incidents occur, companies should look to be transparent and report to shareholders relevant facts and actions taken.	We may consider not supporting the approval of the annual report and accounts when disclosures to shareholders are inadequate.

Environmental and Social Issues

Companies are expected to demonstrate that their operations take proper account of all applicable laws and regulations. Environmental and social issues should form an integral part in long-term planning and decision-making to ensure that non-financial risks are identified and contingencies are put in place.

We encourage companies to regularly publish sustainability or corporate social responsibility reports and to seek shareholder approval of them.

Shareholder resolutions relating to environmental and social issues that seek greater disclosure, operational reviews, changes in strategy, etc. will be considered on their merits, taking into account companies' existing practices and boards' recommendations.

Issue	Comment	Voting
Disclosures	Companies should demonstrate consideration and management of environmental and social issues by making appropriate disclosures.	We will consider abstaining on the annual report or appropriate board committee member when inadequate disclosures have been made.
Proposed changes in corporate strategy	Shareholder resolutions relating to changes in strategy are usually inappropriate as it is for the chief executive to determine strategy with board approval.	We will usually oppose resolutions forcing changes in strategy.
Testing of corporate strategy against a scenario of climate change, including two degree Paris alignment	Better disclosure would be positive for shareholders; undertaking this process would also improve the company's understanding and management of climate change risks.	We will generally vote in favour of these resolutions, while taking into account the board's recommendation.
Sustainability reports	Better disclosure would be positive for shareholders.	We will generally vote in favour of these resolutions.
Lobbying activities report	Better disclosure would help shareholders understand the company's use of shareholder funds.	We will generally vote in favour of these resolutions.
Appointment of director with particular environmental expertise	It is the responsibility of the nomination committee to ensure that requisite environmental experience is represented on a board. All directors should have an appropriate awareness of the material social and environmental risks facing the company. Specialist expertise may be appropriate	We will consider the boards range of skills and expertise and may vote in favour if we believe it to be in shareholders' interests.
Environmental targets	Companies are expected to set appropriate targets, in particular GHG emissions reduction targets, to manage environmental impacts and risks.	We will consider resolutions to set environmental targets on a case-by-case basis.
Charitable donations	Generally, charitable donations should not be made with shareholders' funds. Small amounts are acceptable with shareholder approval specifying a maximum amount.	We will consider opposing resolutions authorising charitable donations.
Political donations	All political donations should be subject to a specific vote by shareholders; and when donations are made, full disclosure should be provided.	We will typically oppose resolutions authorising political donations.
Employee issues	Companies should be able and willing to demonstrate that issues such as inclusion; gender and disability pay-gaps; diversity etc are pro-actively considered.	We will support resolutions that positively impact employment policies and practices for the benefit of stakeholders when our expectations have not been met.
Business practices and social impacts	We expect companies to foster beneficial relationships with suppliers and conduct business in the long-term interests of the company. Companies should fully consider the impact that their operations, products and services will have on societies.	We will consider resolutions relating to various business practice issues and social impacts on a case-by-case basis.