Pru
part of M&G plc

Prudential Assurance Company

Voting Standard

January 2024

1. Introduction	**3**
1.1 Scope	3
1.2 Context	3
2. Requirements	**4**
2.1 Voting approach aligned with long-term interests	4
2.2 Governance	4
2.3 Proxy Voting Service Providers	4
2.4 Escalation	4
2.5 Voting Evaluation	5
2.6 Reporting and accessibility of voting activity	5

1. Introduction

1.1 Scope

1.1.1 This Standard sets out how the Prudential Assurance Company (PAC) should approach shareholder voting as an active owner. It describes the key elements required to ensure a robust voting process that is effective in achieving outcomes that benefit the long-term interests of our customers and the sustainability of the real economy.

1.1.2 The Standard is owned by the Chief Investment Officers (CIOs), Prudential UK.

1.1.3 For the purposes of this Policy, “Funds” means, but is not limited to, any with profit fund, non-profit fund, unit-linked fund (where the asset owner has investment control), non-participating fund, matched fund or other fund or portfolio of assets belonging to the relevant asset owner entities of M&G plc.

1.1.4 The standard is subject to and does not supersede the asset owner Investment Policy, the PAC ESG Investment Policy, the PAC Shareholder Engagement Policy, the M&G plc ESG principles, M&G plc’s Code of Conduct, and all relevant regulation.

1.1.5 It is intended that PAC should apply this guidance to investment managers carrying out shareholder voting on our behalf for segregated mandates and funds. It is acknowledged that the asset owner has less ability to influence voting behaviour directly in relation to third party collectives where investment is commingled with other investors. However, initial and ongoing due diligence should take account of the respective investment manager’s Voting Policy and voting records to ensure it is in line with the guidance within this Standard.

1.1.6 This document supports the PAC Shareholder Engagement Policy which is in line with the Shareholder Rights Directive II (SRDII). The PAC Voting Standard should be read in conjunction with the PAC Shareholder Engagement Policy, and, for the avoidance of any doubt, the PAC Shareholder Engagement Policy should take precedence.

1.1.7 It is intended that this document be updated as and when required (at least annually) to incorporate additional regulatory developments related to shareholder voting, or, to incorporate the latest thinking on active shareholder engagement and voting processes. Any changes proposed will require approval at the M&G Life Executive Investment Oversight Committee (EIOC).

1.2 Context

1.2.1 In general, we rely on our investment managers to exercise shareholder voting in companies on our behalf. In order to ensure that they carry this out appropriately, we assess an investment manager’s Voting Policy and processes, as well as their Shareholder Engagement Policy, to ensure they align with the requirements of active ownership set out in the SRDII and the UK Stewardship Code.

1.2.2 As part of our regular manager oversight activities, we influence our investment managers’ stewardship to align more closely with our policies where necessary. We also carry out due diligence on how shareholder voting, as a crucial tool of active engagement, supports the investment manager’s position on sustainability and aligns with our ESG priorities and targets.

1.2.3 We may replace an investment manager if their voting policies and processes do not comply with our own, and if we are unable to obtain a service that meets our requirements.

1.2.4 From time to time, we may request that our investment managers vote in a particular way to improve a particular aspect of corporate behaviour and further our ESG priorities and targets. In this scenario, the asset owner will evaluate the outcome of the directed shareholder vote and instruct further action if required, including divestment, if appropriate. In relation to assets within Target Investment Model (TIM), it may be appropriate for the asset owner to look to influence the Management Company, rather than making a direct request to investment managers to vote in a certain manner.

2. Requirements

2.1 Voting approach aligned with long-term interests

2.1.1 We believe that if a company is run well, it is more likely to be successful in the long run. In relying on investment managers to vote on our behalf, we require them to make voting decisions in the best interests of our customers. When determining how to vote, an investment manager should assess the impact on the value of the investment and the long-term interests of our customers.

2.1.2 Investment managers should aim to vote on all relevant shareholder resolutions at general meetings across our actively managed and passive holdings in companies globally.

2.1.3 There should also be a focus on the effectiveness of shareholder voting in supporting real world outcomes. Achieving such outcomes is important as systemic risks, such as those posed by climate change and inequitable social structures, threaten the long-term performance of the investment portfolios, as well as the world in which our customers live.

2.2 Governance

2.2.1 Investment managers should have in place a Voting Policy or Standard, which should be part of a clear governance structure that enables them to effectively execute and evaluate shareholder voting activity.

2.2.2 Delegation of any roles and responsibilities, including the use of proxy voting service providers, should be clearly defined in the investment manager's Voting Policy or Standard.

2.2.3 Reviewing an investment manager's Voting Policy / Standard will form part of our initial due diligence, as well as the annual review conducted in line with the SRDII.

2.2.4 Any conflicts of interests that may arise in shareholder voting considerations should be identified, managed and disclosed effectively. For example, where an issuer may also be a client of the investment manager.

2.2.5 The annual SRDII reporting questionnaire reviews stock lending and reviews if securities are lent, and if so, the respective firms' engagement policy for lent stocks. These responses form a scored sub-area within our wider analysis, and if we view these policies as misaligned to our own policies, engagement will be sought with managers as appropriate.

2.3 Proxy Voting Service Providers

2.3.1 The appointment and use of a Proxy Voting Service Provider should be clearly set out in the investment manager's Voting Policy.

2.3.2 Investment managers that utilise proxy voting service providers should conduct appropriate oversight to ensure voting occurs in a manner that achieves the best long-term value for our customers and aligns with the investment manager's position on sustainability, which in turn should support the asset owner's ESG priorities and targets.

2.3.3 Investment managers should have the means to take an independent view, dissimilar to the Proxy Voting Service Provider if necessary.

2.4 Escalation

2.4.1 To achieve an engagement target (including ESG targets), where appropriate, shareholder voting should be utilised tactically by an investment manager as part of an escalation strategy where other engagement is not achieving the required outcome in the timeframe set. For example, after various other forms of engagement have failed over a prolonged period, the investment manager may vote against a company's management at a general meeting to help drive the required change.

2.5 Voting Evaluation

2.5.1 Investment managers should evaluate the effectiveness of shareholder voting activity and the outcomes achieved by exercising votes, by applying a consistent set of guidelines or criteria in line with the SRDII.

2.5.2 The evaluation should look at the connection between shareholder voting and the desired outcome of other forms of active engagement to enable clear and consistent messaging to a company on an ESG issue.

2.6 Reporting and accessibility of voting activity

2.6.1 We use investment managers' voting records to monitor how effectively they are engaging with company management on our behalf. The due diligence we perform on an investment manager's voting records is also an integral part of our ongoing oversight process.

2.6.2 Investment managers should report their shareholder voting records in a comprehensible and timely manner, in line with our specific request for voting information, This may include a link to their website if appropriate.

2.6.3 In relation to votes highlighted as significant by an investment manager in the voting record, a clear explanation of the criteria for a vote to be considered significant should be provided.

2.6.4 The voting records should always provide a clear explanation of votes against a company's management resulting from the dissatisfaction of management action in relation to an ESG issue or risk.

2.6.5 Investment managers should also provide specific explanations of key sustainability related votes, particularly where these pertain to the asset owner's current ESG priorities.

pru.co.uk

PRU100721017 01/2023_WEB