

## Voting at ILIM: a Q&A



### What is proxy voting?

Holding shares in a company gives investors a vote and a voice on important aspects of how it is run, from its corporate behaviour and strategy to who serves on the board and how much the CEO gets paid. Proxy voting is the exercise of voting rights on behalf of investors by a third party, such as an investment manager.

ILIM's proxy voting activities go beyond the market standard with a highly progressive approach that incorporates direct action on environmental, social and governance (ESG) issues through newly developed bespoke voting guidelines.

### How is ILIM going beyond market practice in proxy voting?

ILIM has developed a set of voting guidelines, the ILIM Global Proxy Voting Guidelines, that help it make consistent voting decisions while taking the specific circumstances of a company into account. In keeping with ILIM's Responsible Investing Strategy, these guidelines cover ILIM's four key thematic priorities: corporate governance, climate change, natural capital, and human rights. These areas are considered by ILIM to be the most significant ESG areas to safeguard clients' investments over the longer term.

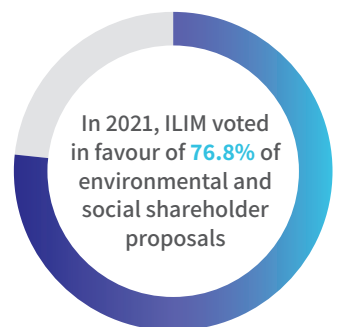
ILIM's Global Proxy Voting Guidelines build upon the expertise of our proxy voting service provider, ISS, utilising its SRI and Climate policies as a framework. We include additional bespoke considerations that seek to align with best practice in independent board leadership and board diversity. In addition, we are taking a first step towards aligning ILIM's voting on climate issues with the Net Zero Asset Managers initiative.

Furthermore, the Global Proxy Voting Guidelines integrate ILIM's wider Responsible Investing activities by incorporating voting action aimed at unresponsive companies that we have engaged with on ESG issues without optimal outcomes. ILIM also integrates its Exclusion Policy for voting on non-discretionary portfolios through targeted voting action against holdings captured under that policy.

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### How is ILIM acting on environmental, social and governance (ESG) issues through voting?

ILIM has consistently had a progressive approach to voting on environmental and social topics, having adopted ISS's SRI policy since 2019. ILIM's voting behaviour has generally been highly supportive towards resolutions that seek improved climate disclosure and action and higher transparency in diversity, equality, human rights, corporate lobbying and more. In 2021, ILIM voted in favour of 76.8% of environmental and social shareholder proposals, demonstrating a commitment to Responsible Investing and going beyond market practice in ESG voting. This is further evidenced by ILIM's voting in relation to climate in 2021, having voted in favour of all 14 resolutions flagged as critical by Climate Action 100+ (CA100+), an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.





## Why is voting important?

Proxy voting can help reduce portfolio risk and deliver more sustainable long-term outcomes for clients. It is also a fundamental way in which ILIM can influence companies' financial performance, their corporate governance profile and their performance on social and environmental issues. This covers issues such as board structure and independence, executive pay, audit issues, climate change, biodiversity, gender and ethnic diversity, and human and labour rights. This is achieved, for example, by voting in favour of better board oversight and voting against directors who are not doing enough to tackle these issues. Another way of achieving this is by voting in favour of shareholder proposals that seek higher transparency or that request companies to take specific actions in order to mitigate risk from climate change, lack of diversity and more.

It has been widely demonstrated that proxy voting can have a substantial impact on corporate behaviour. According to the non-governmental organisation Majority Action, "Shareholders in public companies play an essential role in setting standards for corporate governance and behaviour through their engagement and proxy voting. Through their voting on director elections, executive compensation packages, auditor selection, and shareholder proposals, shareholders across the corporate governance ecosystem collectively establish and enforce bottom-line expectations for what constitutes acceptable management and governance of systemic and company specific risks." This shows how critical it is to include environmental, social and governance considerations in proxy voting guidelines as a key part of a robust Responsible Investment strategy.

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## What are ILIM's plans for proxy voting in 2022 and beyond?

Going forward, ILIM will continue strengthening its approach to voting on environmental, social and governance issues. The development of ILIM's Global Proxy Voting Guidelines will achieve a higher level of alignment with the Responsible Investment strategy by supporting shareholder proposals across ILIM's four thematic priorities. In addition, ILIM's Global Proxy Voting Guidelines' bespoke considerations will mean that ILIM's voting impact does not stop at supporting shareholder resolutions. With the Guidelines, ILIM will directly target directors in companies with insufficient progress in climate change and board diversity, as well as companies without independent leadership. This will drive change in board oversight towards ILIM's four thematic priorities and ensure the largest possible impact through voting activity.

### Bespoke voting areas for ILIM

Topic:	Target:		Action:
<b>Climate laggards</b>	50% of worst High Risk & 20% of Medium Risk companies 5% of worst Low Risk companies	>	Vote against incumbent Board Chair
<b>Board diversity</b>	30%+ of Board is not female identifying & 20%+ not racially/ethnically diverse	>	Vote against incumbent Chair of nominating committee
<b>Lack of independent Board leadership</b>	Combined Board Chair and CEO roles	>	Vote against the (re-)election of CEOs where they also serve as Board Chair

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