

Canada Life Asset Management Limited

Engagement Policy

Owner	Managing Director
Delegated Owner/s	Head of Equities
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1. Introduction and Scope

This Policy explains the principles Canada Life Asset Management Limited (CLAM), has in place for the monitoring of, voting in and engagement with investee companies, ensuring compliance with Article 3g of the Shareholder Rights Directive (SRD II)

Under the requirements of SRD and the FCA Handbook, firms must develop and publicly disclose an engagement policy which describes how the firm integrates shareholder involvement in the investment strategy or, publicly disclose a clear and reasoned explanation about why they have chosen not to do so. The policy must describe how CLAM:

- integrates shareholder engagement in its investment strategies;
- monitors investee companies on relevant matters (e.g. strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance);
- conducts dialogues with investee companies;
- exercises voting and any other shareholder rights;
- will cooperate with other shareholders;
- will communicate with relevant stakeholders of investee companies; and
- manages actual and potential conflicts of interests in relation to CLAM's engagement

2. Engagement

All engagement is conducted by the investment management team. This helps to ensure that the results of our engagement and monitoring activities feed directly into the investment decision making process. CLAM routinely engages with potential and actual investee companies in all geographies and endeavours to vote on all UK, US and European equity holdings. At this time, we do not vote on Asian equities as our tendency is to have non-significant sized holdings. This stance is reviewed from time to time. CLAM treats votes, and the influence these give us on behalf of our clients, as valuable assets and acts accordingly in exercising them. The size of the investee shareholding and the materiality of any issue will determine the level of engagement undertaken. Our approach to stewardship is constructive and pragmatic with the extent of any intervention determined on a case-by-case basis. In all our endeavours, the interests of our clients are paramount.

Engagement with companies in which CLAM invests is primarily done through the voting rights held as shareholders. However, when meeting the management of our investee companies, CLAM may take the opportunity to reinforce the concerns already highlighted in our votes or engage them on other matters we wish to highlight.

We aim to see large companies periodically and once a year for mid and small sized. For companies held with large market capitalisations our investment management team would aim to meet with the company management at conferences or in group meetings. For all other investee companies CLAM endeavours to meet their management in smaller group meetings or in 1 to 1s. This provides us with an opportunity to ask questions and challenge their strategy, performance and other relevant issues in a constructive manner, which in turn influences the likely value of our clients' investments. This approach allows CLAM to use internal resources more effectively, adopting a focussed approach with more meetings with medium sized firms that have less financial press coverage.

3. Monitoring

Our team of investment managers rigorously monitor companies in which we decide to invest, comprising of meeting management; analysing company announcements and news flow; investment screening and studying external analytical research, some providing traditional financial analysis of companies and others helping us to consider how well companies are managing the Environmental, Social and Corporate Governance (ESG) risk of their activities.

For new equity investments, CLAM aims to pull together all of the sources stated above, in a checklist note written on all investee companies. The checklist relies on the analysis of 20 years of financial data as the initial background to assess a company's strategy, competitive positioning in its industry, capital structure, valuation and prospects as well as ESG factors.

4. Collaborative Engagement

CLAM will work with other investment institutions on collaborative engagement initiatives, when it believes it to be in the best interest of our own investors and is deemed the most effective course of action to address a specific issue or concern. CLAM has historically used its involvement with and membership in, various trade bodies such as the Investment Association.

CLAM participates in collective efforts to engage with the management of companies through the use of a number of collective engagement platforms such as those provided by ISS, CDP and as members of the PRI.

The appropriateness of any collaborative engagement is considered on a case-by-case basis. When participating in collaborative engagement, due regard is paid to any conflicts of interest. CLAM will take into account a range of factors when deciding whether or not to act collaboratively with other investors. These include:

- Whether or not collective engagement is likely to be more effective;
- The extent to which the objectives of the other investors are in accordance with our own;
- The need for confidentiality; and
- Regulatory factors

5. Voting

CLAM aims to exercise all proxy voting rights relating to equities in the US, UK and European stock exchange listed investee companies. At this time, we do not vote on Asian equities as our tendency is to have non-significant sized holdings. This stance is reviewed from time to time

We employ the services of a specialist proxy voting agency which analyses resolutions. These reports and management recommendations are some of the factors in the investment management team's final decision on how votes are cast. But in every case, we assess and vote with our own judgement. We regularly vote against management or abstain when we believe it is right to do so.

When we feel we must vote against management we are guided by the following principles. There may be individual situations where we vote otherwise depending on particular circumstances:

- **Remuneration:** We expect the remuneration of the directors of our investee companies to be clearly structured, appropriate and mainly linked to quantifiable targets. As a result, we will generally vote against sizeable discretionary payments, excessive pay awards and any form of retrospective changes in targets or remuneration to the benefit of directors.
- **Board Structure and Director oversight:** We have a strong preference for the role of Chair and Chief Executive to be split and will vote for resolutions calling for these roles to be separated, unless there is an overwhelming reason why such a combined role should be allowed to persist. We view non-executive directors' ability to exercise independent judgment as central to their role in holding management to account. We expect non-executive directors to be free of any direct or indirect relationship with the investee company, which could reasonably be expected to interfere with the exercise of their independent judgment. We will therefore vote against non-executive directors who have any relationship with the investee company that could give rise to a conflict of interest. We will also consistently vote against directors showing signs they are not fulfilling their duties, for example by not attending meetings. Finally, we will also vote against Executive Director involvement in remuneration or audit committees which would compromise their impartiality and effectiveness.
- **Shareholder rights:** We will look favourably on shareholder resolutions protecting or enhancing shareholder rights. Examples would be motions to reduce the threshold to call a meeting, motions calling for equal voting rights between share classes or motions protecting say on pay. We will also vote against any management led motions which we believe will reduce the rights and oversight of shareholders.
- **Political donations:** We do not support companies making political donations and will vote against resolutions requesting shareholder support for such donations.
- **Shareholder led resolutions:** Shareholder led resolutions are often tabled calling regularly for ESG risks to be considered and assessed with greater urgency. We will always look favourably at these resolutions and vote accordingly, unless management makes a convincing case why such a move is not necessary.

6. Disclosures

CLAM maintains a record of all voting decisions. Reporting of our proxy voting activities and our meetings with investee company's management are published on a quarterly basis on our website under the 'About Us' section at www.canadalifeinvestments.com.

CLAM does not use the services of a third party to provide independent assurance relating to our stewardship activities, instead conducting an in-house review of our policy and activities on an annual basis.

7. Conflicts of Interest

CLAM recognises the importance of having appropriate systems and controls in place to identify and to prevent or manage potential and actual Conflicts of Interest. CLAM will always seek to act in accordance with the best interests of our clients as investors when casting votes on their behalf. We believe that strong corporate governance at the companies in which we invest best serves our clients' interests.

It is extremely rare that we find conflicts of interest. However, on any potential conflicts of interest between CLAM, the investee company and/or a client, the guidance of the Association of British Insurer's (ABI) Institutional Voting Information Service, will normally take precedence.

CLAM is a subsidiary of The Canada Life Group (UK) Limited and is part of Great-West Lifeco. We exercise all votes independently and without reference to other group entities.

More generally, CLAM maintains clear documentation governing areas of potential conflicts of interest that may arise in interacting with the companies in which we invest, all with the aim of taking reasonable steps to put the interests of our clients first. This includes such areas as outside business interests of personnel, the acceptance and reporting of gifts and hospitality, personal account dealing rules and dealing in shares issued by other group firms. All relevant documentation and identified potential conflicts of interest are subject to regular reviews.

A copy of our Conflicts of Interest Policy is available on request from:

investmentgovernance@canadalife.co.uk.

Appendix 1: Version control

Version	Author	Date	Summary
V1.0	Investment Management Team	Dec 2019	Draft version
V2.0	Investment Governance	Dec 2019	Review and comments provided
V3.0	Investment Management Team	Dec 2019	Further updates
V4.0 (FINAL)		17 th Dec 2019	APPROVED BY CLAM Executive Management Committee
V5.0 (FINAL)	Daniel White	July 2020	
V6.0	Daniel White	December 2020	Updated with voting principles
V6.0 (FINAL)	Executive Management Committee	17 Dec 2020	APPROVED