

Inclusive Growth and Shared Prosperity

Inequality within countries has been rising for the past few decades, particularly in western nations⁹ and we hold concerns that this growth, taken to extreme levels, could create economic and social risks. At the macro, system wide level, income and wealth gaps may result in consumers lacking spending power to create growth opportunities for various sectors of the economy, whilst also lacking resilience to economic shocks. Very high inequality can also be associated with a range of other negative social outcomes. For example, it was found that for every 1% rise in OECD country income inequality, there were 4% and 5% more cases and deaths per million respectively during Covid-19¹⁰.

In contrast, we believe that there are significant investment opportunities arising from societies becoming more economically inclusive, with more people having a meaningful stake in prosperity that they co-create. We also believe that shared prosperity can be a powerful force for raising workforce engagement and productivity within corporates in whom we invest, which can boost growth and lower costs sustainably.

Our approach to engagement

We encourage priority companies where Inclusive Growth and Shared Prosperity is a material issue to:

Fair reward

- ◆ Provide living wages¹¹ to staff, working hours consistency and flexibility, and other meaningful benefits to workforces such as broad-based share ownership schemes.
- ◆ Disclose and reduce gender and ethnicity pay gaps.
- ◆ Ensure executive team pay is reasonable within the company and societal context, particularly in relation to the median household income of the country where the leadership team is based.

Working conditions

- ◆ Ensure robust steps are taken to protect the health and safety of workers.
- ◆ Develop thoughtful employee training programs and opportunities for career progression.
- ◆ Provide a formal platform for workers to give feedback to management, and strong and safe mechanisms for staff to raise ethical concerns.
- ◆ Monitor and disclose high quality information and narrative on working conditions and how they are changing over time.

9. [World - WID - World Inequality Database](#)

10. 'COVID-19 and income inequality in OECD countries' by John Wildman. The European Journal of Health Economics 22 (2021): 455-462.

11. Defined by the Global Living Wage Coalition as: 'The remuneration received for a standard workweek by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family.' [What is a Living Wage? - Global Living Wage Coalition](#)

Voting implications

We believe that executive pay should be set at a level which rewards company leaders sufficiently according to the size and complexity of their businesses without exacerbating social inequality. For North America and Western Europe, we use a proprietary framework to determine the level of CEO pay which we believe is appropriate, taking into consideration company size in terms of market capitalisation and the number of employees. Should the average pay of the CEO over three years exceed the level we believe is appropriate, we may vote against relevant proposals such as the remuneration policy, report, and re-election of the remuneration chair if we believe very high pay is persistent.

We believe that boards have a responsibility to oversee management's requirement to create a safe, harmonious, and prosperous relationship between direct and third-party workers, executives, and employee representative groups. We will vote against directors responsible for employee oversight, or corporate social responsibility, if there is strong evidence of persistent weak management behaviours towards the workforce at the company both in absolute and sector relative terms, and also if we also believe workforce issues are very material to the company's success.

We generally support resolutions in line with our inclusive growth and shared prosperity beliefs, such as those related to; CEO-worker pay gaps, health and safety disparities, sick pay, labour rights, fair drug pricing, living wage provision for all employees, and fair lending practices.

Finally, in the interest of companies creating platforms for staff to provide feedback to management and be involved in strategic planning, we do support directors appointed from the workforce, where possible.

Please see our Global Voting Guidelines on the page 'Policies and Disclosures' of our public website for further details.



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AMFR_2024_ESG_ESG_0015. Expires: 28/02/2025

