Schroders



Voting Guidelines

Global Head of Sustainable Investment

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INTRODUCTION

These guidelines are focused on how Schroders votes at shareholder meetings at its investee companies that are publicly quoted. However the underlying principles guide our decision-making when voting at investee entities in other asset classes.

We use these guidelines as a basis from which to make our voting decisions. These guidelines are global in scope and we have more granular regional and/or market specific guidelines. We also believe that the standards we should expect from large, mature companies that have been listed for a lengthy period are higher than those we can reasonably expect from smaller and/or newly publicly quoted companies. We therefore also take into account the specific circumstances of the company, including the governance framework of the market in which it is quoted and domiciled, its size, time since IPO, its disclosure, how we have previously voted at shareholder meetings, our engagement experience with it, its prospects and other factors we believe to be relevant.

Where more than one investment team owns the shares of a company, we aim to vote shares in the same way for all portfolios, except for M&A and other corporate actions where the investment case for how to vote may differ depending on the nature of the transaction. Our corporate governance team therefore attempts to reach consensus between itself and the relevant investment teams before voting on how it should vote on each resolution proposed at every shareholder meeting. For non-material holdings and for some investment teams, the corporate governance team has delegated authority to vote on behalf of the investment teams without need for consultation with them.

These guidelines are non-binding and may not be followed at every meeting at which we vote. The guidelines are reviewed periodically.

DIRECTOR ELECTIONS

The board is responsible for overseeing management and for the long-term stewardship of the company for its long-term success.

We believe that all directors must have the attributes to fulfil the role to the standards that we expect. These attributes are should include a blend of formal qualifications, relevant skills, background, experience and psychological and cognitive characteristics that make the director suitably qualified to fulfil the role, including improving the collective functioning of the board. Furthermore, the board must have a strong cadre of independent directors, capable of representing minority shareholders even when there are powerful other interests on the board.

Directors should be diverse in many different dimensions to bring different experiences and perspectives to bear and to help reflect the company's stakeholders and the societies in which it operates.

We therefore see the election of directors as one of the most valuable corporate governance rights and responsibilities and believe that we should determine minimum standards applicable even if not mandated by law, regulation or local best practice standards. If local market practices or regulations are more stringent than those outlined below, we will be guided by local practice when voting.

Where boards fall short of these minimum standards or where we identify material governance shortcomings, we may vote **against** the re-election of individual directors, usually targeting the chairs or members of particular committees, the chair of the board or the lead or senior independent director.

Election of directors	All directors should be elected at the first shareholder meeting after appointment; we prefer all directors to submit for election annually, which we believe is the norm in many markets. We expect to be able to vote **for** or **against** each director's re-election individually.
Election of chair, CEO, senior or lead independent director, board committee chairs	While each director has an individual responsibility, we will particularly examine our votes to elect directors in these positions. We will look to hold them to account for their specific areas of responsibility and prefer to see an independent chair who leads the board. Where this is not the case, a strong lead independent director who has the character and formal powers to represent the interests of minority shareholders and to co-ordinate the independent directors to this end, is our preference.

Independence of directors	The UK Corporate Governance Code provides guidance on assessing independence, however, we take account of local practices and the designation made by companies, even if we disagree with their determination. Our preference is a majority independent board and presuppose a minimum of 33% independent directors, in those markets where a majority independent board is not the norm. We will be likely to vote **against** the company chair or the senior or lead independent director, the chair or members of the governance or nominations committee and/or certain non-independent directors where the board is insufficiently independent.
Diversity and experience of directors	Boards and senior management should comply, as a minimum, with market guidelines on diversity. Where there are no market guidelines on diversity, boards should have at least one female director. Boards in markets without guidelines, particularly those at larger companies should have more than this and should aim for at least 33% female membership. They should also disclose their goals and interim targets towards meeting their goals. Some ethnic groups are often significantly under-represented on boards of companies in countries with ethnically diverse populations. We expect to see boards address this issue at board level through clear actions and time bound targets where possible. We also encourage companies to explain how they seek to promulgate diversity, equity and inclusion on the board and throughout the organisation, including but not limited to gender and ethnicity, and including thought and thinking style. Directors are expected to have a variety of relevant skills, experience and other attributes to aid the board oversee and advise management. Where such minimum standards are not met we will consider a vote **against** the company chair, or the chair or members of the nomination or governance committee or the senior or lead independent director.
Succession, tenure and board refreshment	We rely on the board to appoint a majority independent governance or nominations committee to make recommendations to the board on governance matters including the appointment of new directors. Overlong tenure is considered, particularly when it is widespread or if there are more than two directors with concurrent long tenure on a board, to hamper independence. Additionally, it often impedes efforts to increase diversity and encourages groupthink. The board should therefore be refreshed sufficiently regularly and frequently to maintain independence and diversity of thought but not so frequently to be unnecessarily disruptive. Long-tenured directors will be considered unlikely to be independent unless independence can be demonstrated through engagement or convincing other evidence. Nine years is in our view to be a useful guide to what might constitute overlong tenure. Concerns are raised by concurrent long tenure by two or more directors, particularly when new independent directors have not recently been appointed. Companies are expected to adhere to tenure guidelines, as they relate to independence, in their individual markets, where they exist. However, a “comply or explain” approach is adopted and we will listen carefully to those boards that contact us in advance to explain their reasons for not complying with the guideline. However, in these cases we will generally not consider the over-tenured director to be independent, even if they are valuable board members.

	Where a board is not refreshing itself sufficiently, voting **against** the company chair or the senior or lead independent director or the chair or members of the governance or nominations committee is the preferred voting option should we choose to vote against one or more directors.
Capacity to carry out role as director and attendance	Directors should have enough time to devote to their role so that they can effectively discharge their duties. Assessment is on a case by case basis by examining their other roles in public and private companies and additional responsibilities and attendance at board and committee meetings. Reliance is on companies to disclose this information. Directors are expected to follow local guidelines and in any case we do not expect that a CEO should have more than one external non-executive role. We do not expect a chair of the board of a large company to have any other external chair roles or more than three non-executive roles. We prefer small company chairs not to have more than one other chair role and one other non-executive role and non-executives to have no more than four other significant roles. Usually votes are cast **against** non-executive directors who have more directorships than this. We are inclined to vote **against** directors with poor attendance that is not satisfactorily explained in the company's proxy statement.
Bundled elections for directors	We think it is important to hold individual directors to account and so will likely vote **against** bundled proposals to elect directors if there are concerns about the directors proposed by the board or a shareholder.
Cumulative voting of directors	Where we support the proposed board composition, votes are spread evenly across all candidates. If particular directors are favoured, for example independent directors, our votes are usually directed accordingly.
Disclosure	In order to cast our votes to elect or re-elect directors thoughtfully, in the best interests of our clients, directors should ensure that the company discloses enough information about themselves and how the board operates to enable us to do so. This should include the directors' biographies and additional information to show the attributes that individual directors and the board as a whole possess. In the absence of clear, useful information we are more likely to vote **against** directors.
Shareholder nominated director candidates and proxy contests	Such votes are considered holistically, on a case by case basis, taking into account the overall performance of the company and the board, the board's skills, experience and other attributes, the arguments made for the election of the directors by the board and the shareholder proposing other candidate(s).
Other positions	Other elections such as for honorary presidents and senior advisers in Japan, promoters in India, supervisors in China, censors in France and other quasi-director roles are considered on a case-by-case basis.
Discharge and/or the indemnification of the board	If there is a vote on the discharge of the board, we may vote **against** this proposal if we are aware of outstanding issues or have concerns regarding the board and its stewardship of the company, the internal controls or other matters affecting the health of the company or as an avenue to express other concerns about the company's performance or the board's oversight.
Voting	Where the board does not meet our expectations, or there are other serious governance or performance issues, we may vote **against** the chair, the lead or senior independent director or the chair or members of the governance or nominations committee or the directors which we deem responsible.

EXECUTIVE REMUNERATION

Remuneration is expected to support the long-term, sustainable success of the business to enable high quality returns to shareholders over the long-term.

Executive remuneration is expected to be aligned with the wider company remuneration policy and we believe that this is a responsibility for the remuneration committee.

Executive remuneration should help to promulgate the board's desired culture at the company and the boards should explain what this is and how the remuneration policy and practices help to inculcate the desired behaviour.

The remuneration committee should explain how it mitigates any possible unintended consequences of the executive remuneration policy at the company.

Reliance is placed on remuneration committees to not overpay executives and to encourage long-term ownership of shares to align executives and shareholders.

We vote **against** remuneration reports, on other pay-related proposals and remuneration policies where we do not think these principles are being met, taking into account our engagement with the company and its disclosure to understand the reasons for its practices and proposals, before we do so.

Basic salary	Base salaries should not make up the majority of the possible total pay package; we presuppose variable pay to do so, but also that variable pay should only be paid out when the company has demonstrably performed well. Particular examination of salaries and total remuneration that is above that of peers is made to ensure it is merited. Increases to salary should be in line with the wider workforce, and should be based on merit, not primarily on benchmarking exercises. We will be particularly concerned about significant increases to salary and we rely on clear explanations where such increases are unusually made. We will expect that the increase is phased over a number of years. Where a new executive is appointed, our expectations are that they will join at a lower base salary to their predecessor to reflect their lack of experience in the role, unless the remuneration committee is able to convince otherwise.
Pension contributions	Executive pension contributions should be in line with the wider workforce.
Benefits	Benefit contributions should be necessary, clearly explained and justified as to why they need to be paid, and should not be excessive.
Short-term incentives	We believe the short-term incentive should have an annual performance period, and have a significant proportion deferred into shares. The targets should be sufficiently stretching, with the threshold award level set at a maximum of 50% of the total possible award, preferably lower. The majority of the award should be based on stringent financial targets that should not be duplicated in any of the other awards.
Long-term incentives	The bulk of the executive remuneration package should be made up by the long-term award, which should be paid in shares. We prefer companies have in place a Performance Share Plan, with at least a three-year performance period and a two-year holding period. We think that awards should be expressed as a percentage of salary. We will be particularly careful about supporting long-term incentive schemes that appear to be more generous than those of their peers either because of easier performance conditions or higher maximum awards. The majority of the long-term award should be based on financial metrics, and we like to see a significant proportion based on relative TSR. If a company is proposing an alternative type of long-term incentive, for example a value creation plan or a restricted share plan, we rely on a significant reduction in total possible quantum, and a similar five-year vesting horizon as a minimum.
Strategic, personal and ESG metrics	We encourage the use of ESG metrics in executive pay, as long as they are not introduced at the expense of financial or returns metrics. Strategic, personal and ESG metrics should not be too significant a part of the overall award, and must be

	clear, stretching, and measurable. The remuneration committee should explain why it has chosen the proportion of total variable pay, if any, of these metrics, taking account of the company's sector, business model and other relevant specific circumstances. The metrics should be the most salient or material to the company, and should not be paid out for business as usual. Where overall performance has been poor, we count on an underpin mechanism and/or downwards discretion applied rigorously to payments relating to these metrics. For strategic, ESG and/or personal targets, reliance is placed on clear explanations of how the targets are measured and an underpin or other method so that this element of pay is reduced or not paid out, where other aspects of company performance, including ESG performance not part of the chosen metrics for and incentive scheme, are not robust. We encourage companies to consider incorporating ESG metrics as an underpin.
Shareholding requirements	We are strongly supportive of executives building up ownership of shares in the company. At minimum, we envisage the CEO to hold at least 300% of salary within five years of employment. We expect other executive directors to hold shares representing at least 200% of salary. These shares should be owned beyond the executive leaving the company. Where variable pay is higher, our expectation is to see higher shareholding requirements, particularly in the US.
Service contracts	Executive directors should be appointed on no longer than one-year rolling contracts.
Severance agreements	Directors should not be entitled to discretionary payments upon leaving the company. Executives should not receive additional payment for a change of control at the company; all awards should be pro-rated for time served. When an executive is asked to, or encouraged to, resign by the board, or when performance is not satisfactory, or when an executive resigns for other reasons, the remuneration committee should have the power and the appetite to reduce the executive's pay so that there is no payment for failure.
Pledging	Any pledging of shares should be modest, pre-approved by, and frequently reviewed by the independent directors (who should not be permitted to pledge shares). In particular, the approval process should consider the effects on the director and the company on a substantial drop in the company's share price and other possible risks. Any pledges made should be disclosed at the time a pledge is made and in the proxy statement.
Hedging	No hedging of any equity based awards or equity in the company should be permitted and this should be confirmed in the proxy statement.
Derivatives	There should be a clear ban on any employee and connected persons using derivative contracts related to the company's shares or other instruments.
Options and repricing	We prefer the use of shares to the use of options. Where options are used, the reasons for them should be fully explained. Options that are capable of vesting within three years of grant should not be used. Options should have additional performance conditions attached to them. Options and other awards should never be repriced.
Risks associated with the pay schemes	The remuneration committee should explain the risks associated with the executive pay scheme and its chosen metrics and how the board manages those risks.
Culture and wider employee pay	The remuneration committee should explain how its executive pay scheme drives the desired culture and behaviour in the company and how it cascades down and aligns with the wider company pay policy.

	We welcome wider share ownership among employees, not just senior management. We encourage companies to establish all-employee share schemes.
Granted and vested pay	Remuneration reports should report on the total pay granted in the year, the total pay capable of vesting in the year and the total amount vested and paid in the year.
Use of discretion	The remuneration committee should have a power to reduce pay outs when the formulaic outcomes do no represent overall corporate performance. For disappointing performance, sometimes for reasons not anticipated in the executive pay arrangements, the remuneration committee must use this power of downward discretion to reflect holistic corporate performance.
Share scheme dilution	The remuneration committee should report the dilution caused by the share schemes operated by the company and the effect of any share buybacks on the targets in the pay schemes.
Non-executive director pay	Non-executives play a vital role in overseeing and advising management. In order to help ensure their independence, we do not believe that they should receive options as part of their fees. Payment in shares of some or all of their fees is acceptable.

DISCLOSURE, CAPITAL, AUDIT, MERGERS AND ACQUISITIONS

How capital is allocated is of vital importance to shareholders. While companies are structured so that boards are authorised by shareholders to take decisions on their behalf, shareholders should also have a say in material capital allocation and strategic decisions so that their investment does not change in its fundamental nature without their approval.

While management is responsible for the company's financial statements, we see an independent, thorough audit overseen by the independent audit committee as a vital safeguard for shareholders' and debt-holders' capital.

Clear and comprehensive disclosure on the company's financial performance, balance sheet, strategy and ESG matters is vital to provide shareholders and other stakeholders with the information they need on corporate performance. We therefore count on good quality disclosure and encourage companies to go beyond the minimum legal and regulatory standards required in their markets to help them explain their business, strategy and governance.

Many mergers and acquisitions, particular those of a material size, misallocate capital and end in disappointment. We therefore expect material M&A to be subject to shareholder approval.

Share issuance	We much prefer to see share issuance without dilution and like to see limits to capital raising subject to annual shareholder vote or as required if the proposed capital request is larger than the routine annual authority. We therefore support the guidelines of the UK Pre-Emption Group, which provides for control over pro-rated share issuance and limited share-issuance without pre-emption rights and like to see similar protections in other markets. We acknowledge local market standards but encourage companies to seek shareholder approval for material changes in capital structure and presuppose that minority shareholders will be diluted by less than 5% per year, including via the issuance of treasury shares. Voting is carried out on a case-by-case basis but expect all but the smallest companies to avoid material dilution.
Dividends	We will tend to support management proposals to approve dividend payments unless we have serious concerns about the strength of the company's balance sheet.
Share buybacks	Companies should not buy back shares at a significant premium to the market price and keen to see controls on the repurchase price and the amount of shares to be bought back similar to those that exist in the UK market. We tend to vote **for** authorities that are broadly in line with UK practice, including authorities to be limited to around 12 months' duration provided no serious concerns about the strength of the company's balance sheet and the company explains the effect on the company's remuneration schemes on any share buybacks. Reliance is placed on the remuneration committee to exclude the effect of buy backs in its executive remuneration schemes or explain why it has not chosen to do so. It is not acceptable to see creeping control without a premium via share buyback schemes. If a shareholder has more than 30% of the issued share capital we will consider waivers to Rule 9 of the UK Takeover Code, or similar regulation in other markets on a case by case basis.
Multiple share classes	We do not support the introduction of, and/or, the continuation of multiple share classes beyond a reasonable sunset period of no more than a few years after an initial public offering. Such arrangements can serve to entrench the interests of the founder and other favoured shareholders. Where such

	arrangements are in place, we may vote **against** the chair of the governance committee or other directors to express our concern.
Poison pills and anti-takeover defences	We do not support the introduction of, and/or, the continuation of poison pills and they should not be in place as they are liable to entrench management. However, in rare instances, where activist shareholders' activities may destroy corporate value, we will consider supporting poison pills, provided that they are temporary in nature and we are satisfied with the level of independent oversight on the board.
Audit committee	We may consider a vote **against** the chair and/or members of the audit committee where we have serious concerns about the financial statements, the internal controls or the audit of the company.
Audit quality	As outsiders with less information than the directors on audit and control matters, reliance is placed on the audit committee to ensure audit quality, however, recognising that audit quality is hard to determine. We may consider a vote **against** the auditor's reappointment if there are internal control weaknesses identified during the course of the year, particularly if the auditor was not responsible for their identification. We may also vote **against** the chair or members of the audit committee in these cases. We will be predisposed to vote **against** the re-appointment of the auditor when non-audit fees exceed audit fees for two consecutive years
Audit tenure and independence	The audit committee should ensure the rotation of the audit firm to help maintain audit independence and therefore quality. We are therefore inclined to vote **against** the reappointment of the auditor and the ratification of its fees if the auditor's tenure is more than 20 years, or less if local practice encourages or mandates shorter tenure, particularly if the audit committee has not indicated that there is a tender outstanding for a new auditor to be appointed. We may also vote **against** the chair or members of the audit committee in these cases.
Report and accounts and/or other proxy materials	In the UK and other markets where there is a vote to receive the report and accounts, we may vote **against** this proposal if we have concerns about the internal controls or other matters affecting the health of the company or as an avenue to express other concerns about the company's performance or the board's oversight. The board should publish sufficient information for us to make informed voting decisions; where the report and accounts or other proxy information are not published before the annual shareholder meeting or there is insufficient disclosure in the material or they are published with insufficient time for us to make a decision, we may vote **against** resolutions on which we are unable to make an informed decision.

MISCELLANEOUS

We believe it is in companies' and boards' self-interest to go beyond minimum legal and regulatory disclosure and governance requirements and provide shareholders with information and rights that are above these levels. Boards that use organisational methods to suppress shareholders' engagement with them or their involvement in the decision-making of the company are liable to suffer a governance discount. We expect full disclosure concerning any contingent liabilities a company may have, including any guarantees given by one company to another including the full amount of any guarantee.

Any other business	We will usually vote **against** such proposals as we are concerned that they may enable matters to be discussed and decisions made for which no prior notice is given to shareholders not attending in person
Format of shareholder meetings	We are in favour of hybrid shareholder meetings, and expect that shareholders should be able to vote in person or by proxy at these meetings or choose to vote electronically without attending the meeting without undue impediments. We support hybrid meetings whereby shareholders can attend and participate in meetings electronically and they should be able to ask questions and otherwise participate in the meeting. We expect all directors to attend shareholder meetings with the lead director and committee chairs as well as the chair and the CEO available to answer questions related to the agenda of the meeting. Virtual only shareholder meetings are not a preferred option unless local regulation requires that all meetings are to be held virtually. In this case, we expect companies to state publicly that they will move to hybrid meetings with the shareholder rights described here as soon as they are permitted.
Multiple share classes	We are predisposed to vote **against** the chair of the governance or nomination committee or the lead or senior independent director when a company has more than one share class that means that voting rights do not reflect the shareholder's economic interest in the company's shares if the company has not announced a reasonably short sunset provision.
Conflicts of interest and related party transactions	We expect full disclosure of possible material conflicts of interests and how they are managed, affecting the company and its stakeholders, including its directors, officers, promoters, senior managers and major shareholders. We expect material related party transactions to be announced and/or approved by shareholders as necessary in accordance with the Listing Rules of the London Stock Exchange (LSE), or equivalent local regulation. Where local regulation differs from the LSE, we would encourage companies to meet or exceed these requirements on a voluntary basis. Where there is insufficient disclosure or insufficient ability to approve related party transactions, we may vote **against** the re-election of targeted directors.
Constitutional changes	We will consider all proposed changes to companies' constitutions, taking account of local practice and the effect of the change on transparency, accountability to, and the rights of minority shareholders. We will vote in favour of those changes that we think will enhance minority shareholder rights.

ENVIRONMENTAL, SOCIAL AND OTHER GOVERNANCE MATTERS, INCLUDING SHAREHOLDER PROPOSALS

As a long-term investor, we believe that sustained, good quality returns to shareholders are more frequent where company boards and management consider their purpose and the interests of their most important stakeholders when developing their business model, agreeing and then executing their strategy.

As part of investors' engagement toolbox in many markets is the ability to file shareholder proposals which often focus on ESG matters and particular stakeholders. While governance matters are addressed in the routine matters of shareholder meetings, sometimes there are also other governance, and more recently environmental proposals from management not previously addressed in this policy. This section attempts to explain our approach to these board proposals and shareholder proposals.

BOARD PROPOSALS

The previous sections of this document, in particular, describe our views on governance related proposals from the board.

The board does not often table proposals on social or environmental matters. However, we are seeing, in Europe and the UK, in particular, "say on climate" resolutions tabled by management. We are supportive of the opportunity to vote on a company's climate strategy. We are inclined to vote **against** these proposals if we believe that the company is not disclosing convincingly on how it is managing climate risk and/or we think it is not managing climate risk sufficiently.

The tabling of such proposals will not stop us voting **against** specific directors for the reasons described earlier in this document if we believe one or more directors are falling short in their duties to oversee climate or other risks.

SHAREHOLDER PROPOSALS

In some markets shareholder proposals are a common feature of shareholder interactions. Even in markets where they have been relatively rare, they are becoming more common, particularly on ESG issues.

We will vote on these proposals on a case by case basis; we approach each resolution based on our assessment of its implications for the company's long term health. We do not view shareholder resolutions as a statement of our approach to the topic covered. We expect boards and management teams to view our decisions as indications of our expectations, irrespective of whether those resolutions are binding or whether we have engaged with the company on that issue in the past. We take into account various factors including:

- Whether the proposal may enhance long-term returns for our clients or may reduce risks to those long-term returns
- The request made by the proposal (including whether it is legally binding or advisory); if the shareholder proposal requires a change to the company constitution, we will not only consider the change requested by the shareholder proposal but also any other consequences of the proposed change
- The materiality and/or saliency of the issue addressed by the shareholder proposal
- Our assessment of the company's performance in relation to the requests made by the proposal
- Our experience of engaging with he company on the issue addressed by the shareholder proposal and more generally
- Our assessment of the company's performance in relation to the subject matter of the proposal
- Whether we believe voting for the resolution will improve the performance of the company relating to the subject matter of the proposal and more widely
- Whether we think the proposal is overly prescriptive
- Whether voting for the proposal will improve corporate disclosure about the subject matter of the proposal
- Whether voting for the proposal will improve shareholder rights
- Who the proponent of the proposal is and our assessment of their motivations
- If the shareholder proposal requires a change to the company constitution, we will not only consider the change requested by the shareholder proposal but also any other consequences of the proposed change

Climate change	See below
Political and lobbying expenditure and activity	We generally vote for proposals that seek better disclosure and/or governance of this activity
Diversity and inclusion	We generally vote for proposals that seek the setting of targets and/or better disclosure of efforts to assess and/or improve gender, ethnic and other diversity at all levels of the organisation
Other employee issues	We generally vote for proposals that seek the improvement of workforce related (including contractors) matters, including setting of targets and/or better disclosure, where we see the issue is of material importance to the company.
Workforce voice in boardroom	We generally vote for proposals that seek disclosure on how employee issues are considered actively in the boardroom.
Sustainability reporting and other disclosure requests	We generally vote for proposals that seek better disclosure of material ESG matters; we will therefore be likely to vote in favour of requests for sustainability reports and for information on matters that we think are material or may be likely to become so.
Human rights related proposals	We generally vote for proposals seeking better disclosure on the most salient human rights risks that companies face and how they are managed.
Reputational and other risks associated with business activity	We generally vote for proposals seeking better disclosure on the risks associated with particular business activities that are material or salient to the company.
Proposals concerning governance and shareholder rights	We generally vote for proposals that we believe are likely to improve companies' corporate governance or the rights that they provide their shareholders, particularly where those rights are considerably behind best practice in the market.

SHAREHOLDER PROPOSALS ON CLIMATE CHANGE

We will generally consider supporting shareholder resolutions that we believe will help push companies to transition and align with the key climate expectations set out in our Climate Transition Action Plan[1] and Engagement Blueprint[2]. We are therefore predisposed to support:

− Proposals asking for net zero commitments, alignment with Paris goals or 1.5C pathways (or similar proposals)

− Proposals asking for greenhouse gas emission reduction targets, including science-based targets

− Proposals asking for detailed transition plans or further information on the company's transition

− Proposals asking the company to regularly report its performance and progress against its emissions targets, and wider transition plan

− Proposals asking the company to publish information on their climate-related risks

− Proposals asking for continual development of climate-related measurement and target setting methodologies e.g. to reflect latest climate science, to expand scope, etc

We will analyse other climate shareholder resolutions on a case by case basis.

> The US is a market in which shareholders file many shareholder proposals, which are often advisory. Some of the most common topics for shareholder proposals are as follows and we provide some additional granularity about our considerations below. We are more likely to support advisory proposals and those seeking better disclosure on important stakeholder concerns than those that are legally binding, particularly if the legal risk to the company increases as a result of the resolution passing. These considerations apply to similar proposals in other markets:

VOTING OPERATIONS AND REPORTING

VOTING ADMINSTRATION

As active owners, we recognise our responsibility to make considered use of voting rights. It is therefore our aim to vote at all meetings globally however, in certain markets or for certain Issuers there may be logistical constraints which make the process of voting too arduous or expensive compared with the benefits of doing so.

Examples include, but are not limited to: share-blocking restrictions attached to voting (the ability to sell shares is restricted for a specified time period, generally from the voting deadline until one day after the date of the shareholder meeting), restrictions on a foreign shareholder's ability to exercise votes, regulatory constraints, the requirement to put power of attorneys in place to facilitate voting instructions and other requirements that make the administrative overhead of voting too burdensome.

We use a third party service to process proxy voting instructions electronically and regularly review our arrangements with our provider, benchmarking it against peers and our evolving requirements.

REPORTING TO STAKEHOLDERS

[1] https://www.schroders.com/en/sysglobalassets/digital/global/corporate-responsibility/climate-transition-action-plan.pdf
[2] https://www.schroders.com/en/sysglobalassets/about-us/schroders-engagement-blueprint-2022-1.pdf

We normally plan to inform companies about our voting intentions in advance of, or after the meeting via email. With particularly contentious votes, especially where we have a large holding we will often seek to discuss our voting intentions with the company to seek any additional views and perspectives before casting our votes.
We report to clients regularly, as agreed with them, on how we have voted on our their behalf .

We also publish our voting records on our website at least monthly so that other stakeholders can see how we have voted. Our voting records can be found here: https://www.schroders.com/en/sustainability/active-ownership/voting/

Given our thorough approach to voting at shareholder meetings, including research and dialogue involving our investment teams, our corporate governance team and often the investee companies themselves, we often vote close to the deadline for casting our votes. This makes it difficult to publicly state our decision related to specific votes before we cast our votes. However, through these guidelines and other documents, including our Engagement Blueprint and our historic voting record, we make our general position on voting as clear as we can. We continue to examine ways to make our views on issues clearer to our most important stakeholders, in particular investee companies and our clients.

VOTING CONFLICTS OF INTEREST

The Corporate Governance Team is responsible for monitoring and identifying situations that could give rise to a conflict of interest when voting at company meetings, in line with Schroders Group Conflicts of Interest policy.

Where a potential conflict is identified with respect to a fund or client on whose behalf the Corporate Governance Team is voting, or the company being voted on, we will follow the voting recommendations of a third party (the supplier of our proxy voting processing and research service).

Examples of potential conflicts include, but are not limited to:

- Where the company being voted on is a significant client, or part of the same Group as a significant client of Schroders
- Where the Schroders' employee making the voting decision is a director of, significant shareholder of, or has a position of influence at the company being voted on
- Where Schroders votes at a company where a Schroders plc director or senior manager is a director of the company being voted on
- Where Schroders plc or an affiliate is a shareholder of the company being voted on
- Where there is a conflict of interest between one client and another or there is a pressure to vote in a particular way due to a client request
- When Schroders votes on Schroders plc resolutions.

There may be scenarios where it is in the best interest of the client to override the recommendations of the third party (described above) and vote in a way that may be perceived to benefit Schroders. In such scenarios, Schroders will obtain approval for the decision from Schroders' Head of Equities (or other relevant asset class) with the reason for such a vote being recorded in writing. If the third party recommendation is unavailable, Schroders will vote in what we believe to be the best interests of clients, irrespective of whether this puts Schroders at a disadvantage.

CORPORATE ACTIONS

In the case of mergers, acquisitions or similar corporate actions where a fund or client holds investments in both the target and the acquirer, Schroders will always act in the best interests of its clients based on the information available at the time.

There may be other instances where different funds or clients, managed by the same or different Schroders fund managers, hold stocks on either side of a transaction. In these cases, the Fund Managers will vote the shares they control in the best interests of their respective clients, in their specific funds and we support the independence of those decisions to avoid inappropriate influence exerted. The Corporate Governance Team will execute the votes on the instruction of the relevant Investment team(s).

SUMMARY ESCALATION PROCEDURE

On rare occasions, the Corporate Governance team may be unable to agree with all investment teams who own the stock how to vote on all resolutions at a meeting covered by these guidelines. In these situations, the Corporate Governance team and any investment teams will present their arguments to a meeting chaired by the head of the relevant asset class. The chair of the meeting will arbitrate and decide how Schroders will vote and such decision and the reasons for it will be recorded in writing.

The full escalation procedure is documented in the Corporate Governance team's procedures manual.

