SARASIN
& PARTNERS

CORPORATE GOVERNANCE
AND VOTING GUIDELINES

APRIL 2020

INTRODUCTION

Sarasin & Partners is a long-term and active fund manager that takes seriously its stewardship responsibilities. We believe that sound corporate governance contributes to long-term value for our clients.

In particular, voting rights give shareholders both the opportunity and responsibility to participate in the stewardship of companies. As the agent of shareholders, Sarasin & Partners will endeavour to vote on shareholder resolutions in accordance with the principles and guidelines outlined in this document. We will be transparent in explaining the reasons for voting decisions.

These Guidelines set out broad corporate governance principles that we believe should be universal and enduring. However, as companies vary in size, complexity, corporate form, cultural context and norms, the Guidelines allow for flexibility, with due consideration to the particular circumstances of individual companies. Consequently, these Guidelines should not be read as an exhaustive or limiting statement of our voting approach. We will use the principles expressed in these Guidelines to inform our response to unforeseen circumstances should they arise. In certain instances, we may take an active decision to diverge from these Guidelines where there are compelling reasons to do so, and it is in our clients' best interests. For example, where a vote against a resolution would negatively impact an ongoing dialogue with a company, we may defer judgement to the next voting opportunity.

These Guidelines are informed by the relevant best-practice codes and guidelines for the markets in which we invest. In the UK, these include the Financial Reporting Council's UK Corporate Governance Code and the UK Stewardship Code, the Investment Association's various guidelines, and the Pensions and Lifetime Savings Association's Corporate Governance Policy and Voting Guidelines. Outside the UK, these Guidelines are informed by other relevant codes and guidelines, such as the OECD Principles of Corporate Governance, the International Corporate Governance Network's Global Governance Principles and Global Stewardship Principles, the EU Directive on Shareholders' Rights, and the Japanese Corporate Governance Code and Stewardship Code.

Throughout this document, the term 'non-executive directors' is used to refer to Board members who do not hold a management role within the company, the term 'executive directors' is used to refer to those who do, and the term 'directors' is used to refer to both groups collectively. Where we indicate that we will vote 'against' a particular proposal, in jurisdictions or companies where this is not an option, we will implement the next closest vote, such as 'withhold'. We rely on a proxy voting service provider to implement the guidelines outlined in this document. In situations where our service provider is not able to do so, we will manually apply our guidelines to selective holdings.

VOTING GUIDELINES

1 ROLE, STRUCTURE AND OPERATION OF BOARDS

The role of the Board of Directors is to foster the long-term success of the company in the interests of shareholders. As the Board is ultimately responsible for ensuring effective management of the company, its composition is crucial. While the structure and operation of the Board differ between companies and jurisdictions, several key principles should guide Board composition. First, the roles of Chair and CEO should generally be separate. Second, the overall Board should have an appropriate level of independence from management. A Board composed of a majority of independent non-executive directors can help to ensure objectivity and effective challenge. Third, Board members should be competent and effective, and should have to stand for re-election at regular intervals to underpin accountability to shareholders.

Audit, Remuneration and Nomination Committees are important for the effective governance of companies. To promote independence from management on these key issues, these Committees should be composed entirely of independent non-executive directors. In the financial sector, it is increasingly thought that a Risk Committee is vital for ensuring sufficient oversight of risk-taking and internal controls. This is, in particular, a recommendation of the Financial Stability Board, the OECD, and the Basel Committee on Banking Supervision*.

* See, for instance, Financial Stability Board, 'Thematic Review on Risk Governance', Peer Review Report, 12 February 2013, see http://www.financialstabilityboard.org/publications/r_130212.pdf

1.1 SEPARATION OF CHAIR AND CEO ROLES

PRINCIPLE	VOTING GUIDELINE
The Board's ability to exercise judgment independently of management is weakened if one person fills both the roles of Chair and CEO. The roles of Chair and CEO should therefore generally be separated.	We will generally vote AGAINST a resolution to appoint the same person as CEO and Chair, unless the Board has appointed a lead independent director (who fulfils our independence criteria – see below). In this case we will ABSTAIN. We will support proposals to have a fully independent Chair and FOR separating positions of CEO and Board Chair.

1.2 DIRECTOR INDEPENDENCE AND EFFECTIVENESS

PRINCIPLE	VOTING GUIDELINE
The Board must be able to act objectively and exert authority over management. This is best achieved by constituting the Board with a majority of non-executive directors who are independent of management. In order to be considered independent, a director should not be in relationships or circumstances that are likely to affect his or her judgment. For example, a director generally cannot be considered independent if he has been an employee of the company or group within the last five years, holds cross- directorships, has significant links with other directors through involvement in other companies or bodies, or has served on the Board for more than twelve years. In the UK, in line with the UK Corporate Governance Code, we will classify a director as non-independent if he/she has served	We will vote AGAINST a resolution to appoint non-independent directors where the resulting Board does not have a majority of independent directors. Directors that have served on the Board for more than twelve years, or who have material links to the company or its executives are considered non-independent. In the UK, we also consider a director as non-independent when he/she has served concurrently with an executive director for more than nine years. Where we have voted AGAINST directors for non-independence for two years running, we will escalate our concern by voting AGAINST the Chair of the Nominations Committee as well. If the Committee Chair is not up for election, we will vote AGAINST Committee members.

concurrently with an executive director for more than nine years.	
The Board and its Committees should have the appropriate balance of skills, experience, time and knowledge to enable it to discharge their responsibilities effectively.	We might vote AGAINST a resolution to appoint directors who are judged not to have appropriate skills, experience, and knowledge. We will vote AGAINST directors who are overcommitted. We consider executive directors who serve on more than one outside Boards, and non-executive Board members serving on more than five Boards as overcommitted. A Chair of the Board is considered equivalent to two outside Board positions.
One of the best measures of Board effectiveness is whether the company creates economic value, taking into account wherever possible negative externalities imposed on society. We believe that directors should be held accountable for generating returns below the cost of capital.	In Japan, we will vote AGAINST all executive directors if the average return on equity over the past three years (including the last financial year) is below 5%. We will extend this rule to other markets when our voting service provider is able to implement this rule in non-Japanese markets. We will vote AGAINST directors where there is evidence that the strategy being pursued runs contrary to societal welfare. Additional criteria are outlined in Section 5.

1.3 DIRECTOR ATTENDANCE

PRINCIPLE	VOTING GUIDELINE
Directors should attend all Board and Committee meetings and prepare in advance of meetings. Directors who do not regularly attend Board meetings cannot effectively represent the interests of shareholders.	We will vote AGAINST a resolution proposing to re-elect a director who has attended fewer than 75% of Board meetings (unless there is an unique set of circumstances that explains these absences and will not be repeated) and relevant Committee meetings held during the previous year.

1.4 COMMITTEES

PRINCIPLE	VOTING GUIDELINE
Audit, Remuneration and Nomination Committees are essential for the effective governance of companies.	We will vote AGAINST a resolution to reappoint the Chair (or the most senior independent director when the Chair is not up for re-election) if the company does not have key Committees with responsibility for audit, remuneration or nomination matters.
Each of these Committees should be composed of independent non- executive directors. Committee members should be held accountable for delivery in their area of responsibility.	We will vote AGAINST a resolution to appoint a non-independent director to the Committees covering audit, remuneration or nomination matters. Specific voting rules for Committee directors are dealt with in relevant sections below.

1.5 ELECTIONS

PRINCIPLE	VOTING GUIDELINE
Regular re-election enhances shareholder ability to scrutinise directors' performance. While a certain amount of continuity of directorship is important, we do not believe annual re-elections result in excessive turnover in practice. Directors will tend to be re- elected as long as they fulfil their responsibilities. Consequently, we generally support the move toward annual elections for all directors.	We will vote FOR a resolution to institute annual elections for all directors.
Requiring a majority vote for directors to be elected, even in uncontested elections, makes directors more accountable and protects the value of shareholders' votes. We are not supportive of plurality voting systems where even a single vote can result in a director being appointed, even where all other shareholders withhold support. The Board should respect shareholders' decision on a director if this is approved by majority of outstanding votes cast.	We will vote FOR resolutions calling for majority voting thresholds for director elections. We will vote AGAINST the Chair of the Nomination Committee for ignoring a majority shareholder vote on a director appointment.
Staggered Board prevents the entire Board of directors to be replaced in one director election, effectively constituting a takeover defence which reduce management's accountability to shareholders.	We will vote AGAINST the Chair of the Nomination Committee where a company operates a staggered Board.

1 .6 POLICY ON DIVERSITY

PRINCIPLE	VOTING GUIDELINE
We believe that shareholders' interests are best represented by a diverse and independently minded board of directors. As an investor member of the 30% Club, we expect at least one third of board members to be female by end of 2020. Where boards fall short of this, it raises concerns about groupthink and the risk that appointments are not truly made on merit. Following the recommendations of the Parker and McGregor-smith reviews in the UK, we also take account of ethnic diversity.	We will oppose the election of all Nomination Committee members of all-male boards anywhere in the world. In the UK, the US and Western Europe, where investors' expectations for appropriately diverse boards are now well-established, we will typically vote AGAINST the Nomination Committee Chair (for our largest positions due to limited data availability) if a board comprises less than 25% women. We expect to raise this to a one-third threshold by 2021. Where a UK, US or a European board falls short of this, but has committed to reaching the 30% Club target, or otherwise evidences meaningful progress and intent, we may support the Nomination Committee Chair for one year on the proviso that progress is made.

2 EXECUTIVE REMUNERATION

An executive director's total remuneration package should align the individual's interests with the long-term objectives of the company, and thus shareholders. While levels of pay should be sufficient to attract, retain and motivate high calibre management, excessive compensation reduces shareholder value. To help prevent misalignment and excess, pay structures and metrics should be simple to understand and linked to long-term value creation.

Executive share ownership is perhaps the simplest and most effective tool for ensuring alignment with shareholders. Shareholdings must represent a material share of the executives' reward and wealth, and must be held at least until retirement from the company in question. A significant proportion of executive remuneration should be related to through-cycle performance targets, and should be reviewed (although not necessarily changed) regularly. Performance metrics should be simple to understand and be clearly linked to the creation of enduring value: put simply, returns on invested capital should exceed the cost of capital through a cycle and over time. Performance targets should be disclosed in the Remuneration Report unless there are compelling reasons for confidentiality. Under- performance should not be rewarded.

2.1 ALIGNMENT WITH LONG-TERM VALUE CREATION

PRINCIPLE	VOTING GUIDELINE
Share ownership is a core component of any incentive scheme that seeks to align executives with long-term shareholders. We favour remuneration schemes that require material long-term shareholdings by executives held until retirement from the company to encourage long-term, through-cycle, behaviour. A material proportion of the shareholding should be held for at least one year following departure from the company to protect against 'bad leaver' problems, and alignment with remaining shareholders.	We will vote AGAINST the remuneration report and policy where schemes do not require material executive share-ownership. For non-US companies, we expect share-ownership of at least four times the executives' base salary. For US companies, we expect six times given the typical package has a relatively lower base salary and thus the holding requirement should be commensurately higher to deliver the same level of alignment). We will vote AGAINST the remuneration report and policy where the actual shareholdings fall below our materiality threshold, unless the executives are new and working towards achieving this minimum target. We will vote AGAINST the remuneration report and policy where there is no post-departure holding requirement (only applicable to our largest positions due to limited data availability). In cases where there is no disclosure of shareholding requirements, or the actual shareholding, we will vote AGAINST the remuneration report and policy.
Performance targets should not be tied to short-term share price performance, which can be driven by near-term sentiment and news, but reflect underlying business fundamentals that drives longer-term total shareholder return.	We will consider on a case-by-case basis (for our largest positions due to limited data availability) whether to vote AGAINST the remuneration report and policy where performance targets are not aligned with creating economic value. When there is no disclosure of performance metrics, we will vote AGAINST the remuneration report and policy.

Executive performance criteria should be clearly linked to the achievement of stretching performance targets that can be clearly attributed to the incumbent managerial team, rather than broad sector or industry moves. Median or worse performance should not be rewarded. Performance achieved at the expense of society, for instance by accelerating climate change, should not be rewarded.	We will vote AGAINST the remuneration report and policy if performance criteria are not sufficiently stretching (including using an inappropriate peer group), and if targets are based on median or worse performance. Criteria linked to environmental and social factors are considered in Section 5.
Where an annual performance target is not met, 'retesting' should not be allowed; the award for that year should be foregone	We will vote AGAINST the remuneration report and policy if it allows for 'retesting'/ shifting the goal posts/repricing options retroactively.
Long-term incentives should be granted in shares rather than in cash as share ownership is a core component of any incentive scheme that seeks to align executives with long-term shareholders	We will vote AGAINST remuneration report and policy where the long-term incentives are not granted in equity shares.
The Remuneration Committee should have the ability to reclaim or 'claw-back' compensation where it has been awarded erroneously or for performance that is short-lived, due to, for instance, excessive risk-taking that destroys value.	We will vote AGAINST the remuneration report and policy where there are inadequate 'clawback' policies to enable a company to reclaim compensation (bonuses and other incentives) awarded for performance that was subsequently found to be erroneous or short- lived.

2.2 SIMPLICITY

PRINCIPLE	VOTING GUIDELINE
Pay structures and metrics should be as simple as possible to avoid unnecessary confusion, risks of obfuscation and misalignment. This is vital to ensure clear incentives for executives, and so that shareholders understand how executives are aligned.	We will consider on a case-by-case basis whether to vote AGAINST pay packages that are unnecessarily complex, including those with multiple and overlapping performance-related components; and where there are an excessive number of metrics within a performance plan (only applicable to our largest positions due to limited data availability). We will vote AGAINST the remuneration report and policy where there are more than four metrics in the long-term incentive plan (LTIP). Excessively complex LTIPs works contrary to the goal of providing clear incentives, and make it hard for shareholders to understand what motivates executives. We will also scrutinise pay metrics on a case-by-case basis and will vote AGAINST if we believe the metrics and targets are too difficult to understand.

2.3 QUANTUM OF PAY

PRINCIPLE	VOTING GUIDELINE
Moderation is one of our principles on executive compensation. Excessive levels of pay are a form of rent extraction by insiders, and can exacerbate inequalities and social tensions within and outside of companies. It is the responsibility of the Remuneration Committee to ensure that the quantum of executive compensation is appropriate.	We will generally vote AGAINST the remuneration report and policy if an increase in quantum of executive compensation is out of line with performance and peers, and/or represents a material increase in the percentage of earnings measured over, say, three years and not adequately explained by the company. We will consider on a case-by-case basis whether to vote AGAINST the remuneration report and policy when the overall quantum awarded to the CEO of a UK company is above £10m, or $15m in the case of a US company.
Executive directors should not receive unconditional or excessive transaction, termination, change in control, or recruitment bonuses not clearly justified by performance.	We will vote AGAINST the remuneration report and policy where the remuneration scheme includes transaction, termination, change in control, or recruitment bonuses that appear to be ex-gratia or excessive, unless exceptional circumstances exist. We will vote AGAINST the remuneration report and policy in which variable incentives are not pro-rated in situation of executive departure, termination or change in control.
Executive director notice or contract periods should in general be no longer than two years so that shareholders have an opportunity to assess performance on a regular basis. A shorter contract may be appropriate where the executive director's remuneration agreement would otherwise require an excessive severance payment. A longer initial contract term may be appropriate in exceptional circumstances, such as when a new CEO has been recruited to a troubled company.	We will vote AGAINST a resolution to approve a remuneration report where an executive director has a service contract of more than two years, unless exceptional circumstances exist.
Executive directors should not be given egregious benefits, such as excessive pension entitlement. We believe pension contribution (as a percentage of salary) to the executives should be the same as those to the general workforce.	We will vote AGAINST the remuneration report and policy in which executive directors are given egregious benefits that represent an excessive extraction of economic rent from the company, measured in terms of a share of the company's earnings, or the individual's base salary. We will vote AGAINST remuneration report and policy if pension contribution (as a percentage to salary) to the executives is not the same as that to the general workforce.
Remuneration Committees should ensure that all discretionary payments that fall outside formal remuneration schemes, including benefits in kind, are justified, appropriately valued and suitably disclosed.	We will vote AGAINST the remuneration report and policy that includes discretionary payments that are not justified, appropriately valued and suitably disclosed, unless exceptional circumstances exist.

Existing shareholders collectively own the company and have a right to maintain their interest without excessive dilution. The operation of share incentive schemes should not lead to excessive share dilution	We will vote AGAINST the remuneration report and policy if a proposed share incentive scheme breaches dilution limits of 10% in ten years for all schemes.

2.4 REMUNERATION COMMITTEE RESPONSIVENESS

PRINCIPLE	VOTING GUIDELINE
Remuneration Policies/Reports should be put to a shareholder vote annually. This represents an important new shareholder right. Although in many markets this is purely an advisory vote, we expect the Board to respect, and act on, the outcome.	If the Remuneration Committee failed to implement the outcome of a vote on executive compensation at the previous AGM, we will vote AGAINST members of the Remuneration Committee.
Shareholder interests are at stake when remuneration schemes are amended, so prior shareholder approval should be sought for any substantive or exceptional amendments to remuneration scheme rules, including: • changes to limits in favour of scheme participants, • changes which make it easier for scheme participants to achieve performance targets, and • changes which give broad and unjustified discretion to the Remuneration Committee	We will vote AGAINST the remuneration report and policy and will consider on a case-by-case basis whether to vote AGAINST the Remuneration Committee members if substantive or exceptional amendments are made to the remuneration scheme, and a vote is not awarded to shareholders prior to the changes taking effect, unless the Remuneration Committee can justify the actions taken.
It is important that Remuneration Committees are held accountable for under-performance in their oversight of the firm's compensation practices.	We will vote AGAINST a Remuneration Committee Chair, where we have voted AGAINST the company's proposed remuneration (either policy or report) for 2 or more consecutive years, and our concerns have not been adequately addressed. If the Committee Chair is not up for election, we will vote AGAINST Committee members.

3 ACCOUNTS, AUDIT & INTERNAL CONTROL

A company's Report and Accounts provide vital information for shareholders as they review the company's stewardship each year. In addition to meeting legal requirements, the Report and Accounts should provide a transparent review of management's performance, and a reliable (and not overstated) view of capital. The Board should establish formal and transparent arrangements for assessing financial and other reporting, risk management and internal control procedures. The Board's statement of internal controls should provide shareholders with a clear understanding of the company's internal control and risk management processes.

The audit process is critical to verify the financial performance of a company, the capital position, the consistency between the financial accounts and management's forward-looking statements, and to ensure that management has effective internal control and financial reporting systems. Independent and effective external auditors are necessary for good corporate governance. Auditor independence may be impaired if the same audit firm has audited the company for a long time, or if the audit firm earns material fees from non-audit services. Transparency helps to facilitate good auditing processes. Shareholders should have information on the Audit Committee's terms of reference and actual work programme, including the key audit risks considered by the Board and how these have been addressed. These matters should be set out in clear language, avoiding 'laundry lists'. Shareholders should know about any potential conflicts of interest affecting the audit, including the value of non-audit work relative to the audit; the length of audit firm tenure; and other relationships that could influence the auditor's objectivity. Any third party or regulatory assessments of the auditor or Audit Committee should be disclosed to shareholders.

3.1 AFFIRMING BUSINESS SOLVENCY AND TRUE AND FAIR REPORTING

PRINCIPLE	VOTING GUIDELINE
The Board should establish formal and transparent arrangements for ensuring financial and other reporting provides shareholders with a 'true and fair view' of the company's capital position and performance. While statutory reporting and accounting requirements vary by jurisdiction, we expect that both narrative and financial disclosures accurately reflect (and do not overstate) a company's prospects, capital or performance. All material information, including foreseeable losses or liabilities, should be included. Financial statements should be prudently draw up. Where adherence to accounting rules result in a misleading picture of the entity's economic health and/or fail to provide the necessary transparency noted above, then we expect the Board to over-ride these accounting rules where permissible or provide supplementary information to ensure shareholder have a true and fair view. Climate risks should be treated like any other material risk, and incorporated into both the narrative report and financial statements. Supplementary voting rules on climate factors are set out in Section 5.	We will vote AGAINST a resolution to approve the Report and Accounts where it fails to include a statement of responsibility for accounts and an auditors' reporting responsibility, and a statement of going concern. We will consider on a case-by-case basis whether to vote AGAINST the Report and Accounts, the auditor and/or the Audit Committee Chair where the company receives a qualified/ adverse opinion by the auditor, or where we perceive the Report and Accounts fail to provide a true and fair view due to, for instance, excessively aggressive assumptions; In the case of companies likely to be materially impacted by climate risks, we will consider voting AGAINST the Report and Accounts, the auditor and/or Audit Committee directors where we determine that the disclosures of the materiality of these risks and impacts for the financial statements are not sufficiently clear or prudent to prevent overstatement of performance or capital.

Principle	Voting guideline
The Audit Committee / Board should ensure the disclosure of distributable reserves (consistent with local company laws), and the dividend paying capacity of the entity. Ideally, shareholders should have visibility of the capacity beyond the parent to underlying group holdings, including any constraints within a group that could limit dividends in the future.	We will consider on a case-by-case basis whether to vote AGAINST the Report and Accounts, the auditor and/or the Audit Committee Chair where we believe there is insufficient visibility of the entity's underlying capital strength, including its distributable reserves; or there is evidence that the entity has been over-distributing.
The Board should confirm to shareholders that the entity is a going concern (i.e. viable) for the foreseeable future. This period should be for at least 12 months, and normally longer reflecting the period over which the company plans and makes decisions on capital deployment. If shorter, the Board must provide a compelling justification	In the UK, we will consider on a case-by-case basis whether to vote AGAINST the Report and Accounts where the Viability Statement is not tied to the planning horizon, and capital expenditure timeframe, of the entity in question, unless adequate justification is provided.

3.2 STATEMENT OF INTERNAL CONTROLS

PRINCIPLE	VOTING GUIDELINE
The Board's statement of internal controls should provide shareholders with a clear understanding of the company's internal control and risk management processes. Any material weakness in internal controls must be taken extremely seriously.	We will consider on a case-by-case basis whether to vote AGAINST the Report and Accounts, the auditor and/or the Audit Committee Chair where its statement of internal controls fails to include appropriate levels of detail, or has been found to be lacking, e.g. when a material weakness rises to a level of serious concern, or an external authority highlights serious weaknesses. Unless it provides an adequate justification otherwise, the Board's statement should include: • A description of key risks to the business outlook and how risk is managed on an ongoing basis • An acknowledgment of Board responsibility for internal control and risk management • A description of the review process • A disclosure of any material joint ventures or associates not covered in the statement We will vote AGAINST Report and Accounts, the auditor and/or the Audit Committee Chair where evidence of internal control failure, e.g. payment of illegal dividends or material fraud in most recent reporting period.

3.3 AUDITOR INDEPENDENCE

PRINCIPLE	VOTING GUIDELINE
Robustly independent external auditors are a necessary protection for shareholders.	We will vote AGAINST a resolution to appoint an auditor where we are in possession of information that the firm has currently, or had within the past three years, a significant connection with the audited company. We will vote AGAINST the appointment of an Audit Committee member where we are in possession of

	information that the member has a direct and material connection with the audit firm.
Auditor independence may be impaired if the same audit firm has audited the company for a long time.	We will vote AGAINST a resolution to reappoint the audit firm if they have been in their position for more than 15 years.
It is important that audit and non-audit fees are transparent.	We will vote AGAINST a resolution to reappoint an auditor if a full break-down of the nature of audit and non-audit fees is not provided.
Auditor independence may be impaired if the audit firm earns excessive fees from non-audit services.	We will vote AGAINST a resolution to reappoint an auditor where the fees from non-audit services is greater than 25% of fees from audit services for two consecutive years.
Shareholders need to know the tenure of the auditor in order to assess its independence.	We will ABSTAIN on the (re-)appointment of the audit firm if there is no or misleading (e.g. when firm omits audit tenure prior to IPO) disclosure of the audit firm's tenure.

3.4 AUDITOR COMMITTEE RESPONSIVENESS

PRINCIPLE	VOTING GUIDELINE
It is important that Audit Committees are held accountable for under-performance in their oversight of the firm's audit. This requires close monitoring of independence and audit quality.	We will vote AGAINST Audit Committee Chair, where we have voted AGAINST the appointment of the Auditor or the Report and Accounts for two or more years, and our concerns have not been adequately addressed. If the Committee Chair is not up for election or new, we will vote AGAINST Committee members.

4 CAPITAL STRUCTURE AND SHAREHOLDER RIGHTS

A company's relative reliance on equity and debt financing has impacts for the risks it faces, and the claims on the wealth it generates. Consequently, some of the most important rights awarded to equity investors as providers of long-term risk capital are around votes for changes to the capital structure. Shareholders should exercise their voting rights to protect their long-term interests.

4.1 ISSUE OF NEW SHARES

PRINCIPLE	VOTING GUIDELINE
The issue of new shares should not lead to excessive dilution of existing share capital. Companies may allot new share capital, but new share capital allocation should generally not exceed one third of issued ordinary share capital, or two thirds of issued ordinary share capital for a rights issue. Any resolution recommending a larger issue of share capital should provide a clear and legitimate business justification for doing so.	We will vote AGAINST a resolution proposing to issue new shares amounting to over one third of the issued ordinary share capital, or two thirds of issued ordinary share capital for a rights issue, unless the company provides a satisfactory justification.

4.2 PRE-EMPTION RIGHTS

PRINCIPLE	VOTING GUIDELINE
When companies issue new shares, they should generally offer these shares to existing shareholders first in order to prevent dilution of existing shares. A limited number of shares may however be issued to raise cash or for remuneration purposes without a pre-emptive offering to existing shareholders. Shares issues without pre-emption should be limited to 10% of issued ordinary share capital in one year, unless companies provide a satisfactory justification.	We will vote AGAINST a resolution proposing to issue new shares without pre-emption rights if the amount exceeds 10% of issued ordinary share capital in one year, unless the company provides a satisfactory justification. The threshold is 5% for UK FTSE All-share companies, unless the Company confirms its intention to comply with the guidelines of the Pre-Emption Group. For investment trusts and funds, our limit is 20%.

4.3 SHARE REPURCHASE

PRINCIPLE	VOTING GUIDELINE
Companies should only repurchase shares in the market when it is commercially advantageous to do so, and with shareholder approval. Share buybacks should generally not exceed more than 10% of issued ordinary share capital.	We will vote AGAINST a resolution to repurchase shares totalling more than 10% of issued ordinary share capital, unless the company provides a satisfactory justification. We will consider the rationales on a case-by-case basis. For investment trusts, the limit is 15%.

4.4 TREASURY SHARES

PRINCIPLE	VOTING GUIDELINE
Companies can repurchase shares from shareholders and hold them 'in treasury'. These shares should not subsequently be reissued in a way that is detrimental to existing shareholders.	We will vote AGAINST a resolution to reissue treasury shares at a discount to net asset value, unless the company provides a satisfactory justification.

4.5 MERGERS, ACQUISITIONS AND CORPORATE RESTRUCTURING

PRINCIPLE	VOTING GUIDELINE
Mergers, acquisitions and other forms of corporate restructuring can create value for companies, if properly evaluated, planned and executed. However, poor corporate restructuring can destroy shareholder value. All corporate restructuring should be assessed by considering the best interests of shareholders, rather than those of directors, management, or other parties. In particular, companies should ensure that minority shareholders are treated fairly throughout the process, from initial discussions to execution.	We will consider corporate structuring resolutions on a case-by-case basis. We will vote AGAINST all incumbent directors at companies that have take-over defences in place, such as poison pills, dead-hand or slow-hand pills, or other similar provisions.

4.6 OTHER SHAREHOLDER PROTECTIONS

PRINCIPLE	VOTING GUIDELINE
Shareholders have few, but key protections and mechanisms for exerting influence over management. These vary by jurisdiction, but tend to include, the right to appoint and remove directors; to call a special meeting, to propose resolutions for the AGM, to change the Articles of Association, to approve major capital restructurings or issuance, etc.	We will vote AGAINST all resolutions to remove or reduce shareholder protections, e.g. right to call special meetings, act by written consent, one-share one-vote; and support resolutions that introduce or increase these rights.
Shareholders should be given sufficient information to consider a management proposal in order to cast an informed vote.	We will vote AGAINST a management proposal, if there is insufficient information to make an informed decision.

5 ENVIRONMENTAL AND SOCIAL MATTERS

Prudent corporate management includes assessing, addressing and monitoring material risks associated with environmental and social issues. Companies are best placed to understand which environmental and social risks are most likely to affect their business; they should communicate these risks to shareholders including in their audited statutory annual report and accounts. A company's transparency with respect to these risks helps investors to assess their likely investment impact.

5.1 ASSESSING AND ADDRESSING ENVIRONMENTAL AND SOCIAL RISKS

PRINCIPLE	VOTING GUIDELINE
The Board should disclose in its annual report its policies and procedures for identifying and managing material risks arising for environmental and social issues. Where these risks result in material impacts for the business, e.g. foreseeable losses and liabilities these should be included in the financial statements.	In cases where a company faces material environmental and social risk, we will consider on a case-by-case basis whether to vote AGAINST resolutions to approve the Report and Accounts, Auditor, and/or Audit Committee Chair where it fails to explain the company's process for monitoring and addressing that risk; or fails to properly reflect them in the financial statements

5.2 CLIMATE-RELATED VOTING

Strategy

Given the gravity of the threat posed by climate change, we expect all directors to make an explicit commitment to align their company strategy with the Paris-Climate Accord. Directors need to set out how they will deliver on this commitment, including any alterations to capital expenditure and/or operations. Interim targets should be set, and annual audited reports on progress published.	For companies with material exposure to climate risks, we will vote AGAINST the Chair where the company has failed to explicitly commit to align the strategy with the Paris Climate Agreement and/or set an appropriate net zero emissions target. Where a Paris commitment is made, but there is no associated change to strategy, capital expenditure or operating plans, we will ABSTAIN on the Chair's reappointment.

Narrative reporting

Boards should ensure full disclosure of material climate risks that stem from the physical impacts of climate change, and risks linked to the regulatory response to climate change (e.g. policies that seek to decarbonise the world's energy system). We look to companies to ensure they evaluate these risks, and communicate both their view of the materiality of their exposure, and – if material – how they are managing these risks, including their governance and strategy for delivering risk reduction goals As with other material factors, these risks should be clearly outlined in the statutory annual report to shareholders. We encourage companies to follow the guidance set out by the Task Force for Climate-related Financial Disclosures in making these disclosures.	For companies we deem to be materially exposed to climate-related risks, we will vote AGAINST the Report and Accounts and ABSTAIN on the re-election of Audit Committee Chair where the company fails to disclose their exposure under the discussion of key risk factors/ principal risks and uncertainties. In this is the second year implementing our climate voting rules for a company, and following engagement on this topic, we will vote AGAINST the Audit Committee Chair where no improvement is made. For UK companies where climate risks pose a potentially existential threat, we will vote AGAINST the Report and Accounts and ABTAIN/AGAINST the Audit Committee Chair (as above) where climate risks are not covered under the Long-term Viability Statement. We will vote AGAINST/ABSTAIN the Audit Committee Chair (as above) where the Audit Committee report to shareholders

	does not explain how climate-related risks have been considered, including the key results of any stress testing/scenario analysis that has been undertaken.
Financial statements	
Where climate risks result in material impacts for a company's financial outlook and accounting assumptions, e.g. related to impairments; asset retirement obligations or asset lives, we would expect these to be reflected in the audited financial statements. Disclosure around sensitivities to critical accounting assumptions impacted by climate risks should be included in the notes to the accounts. Key accounting assumptions should be consistent with disclosures made in the narrative section of the Annual Report to shareholders.	For companies that are likely to be materially impacted by climate risks, we will vote AGAINST the Annual Report and Accounts and ABSTAIN/AGAINST the Audit Committee Chair (as above) where: • there is no indication that critical accounting assumptions have been adjusted for relevant climate risks; and/or • there are no supplementary disclosures in the notes to the accounts around how climate factors have been considered; and/or • key accounting assumptions are inconsistent with assumptions used in the narrative part of the Annual Report.
Audit	
Shareholders rely on the auditor to alert them to potentially misleading financial statements. Where climate risks are likely to alter a company's economic prospects the auditor should check that all key accounting judgements remain reliable. In jurisdictions where auditors must now publish an extended report to shareholders (notably the EU, UK and the US), auditors should use this to alert investors to any dangers of mis-statement linked to climate factors; or inconsistencies between the narrative and financial disclosures. We would encourage auditors to provide their own view of sensitivities to adjusted critical assumptions linked to climate factors.	We will vote AGAINST the reappointment of the auditor (and their remuneration where relevant) where they fail to detail how they have considered material climate risks as part of the audit process; gained comfort that the assumptions used were reliable; or alerted shareholders to potential mis-representation where these risks have not been given sufficient weight.
Remuneration	
Executives should not receive performance-related pay where their behaviours contribute to global warming. Small adjustments to LTIPs or bonus schemes for climate factors may be overwhelmed by other factors that incentivise climate harm. We expect Remuneration Committees to look at remuneration policies in the round to ensure that pay is not awarded for poor climate performance.	We will vote AGAINST remuneration policies and reports where performance-related pay is awarded even when that performance is generated through activities that worsen climate change. We will ABSTAIN on the reappointment of the Remuneration Committee Chair in the first year of applying this policy and before engagement. We will vote AGAINST the Remuneration Committee Chair if, following engagement no improvement is made.

Lobbying

We expect Boards to commit to never lobbying, either directly or indirectly, against action that will help to address the climate crisis.

We expect to see disclosures of lobbying undertaken that demonstrates adherence to this commitment.

We will vote AGAINST the Chair where the company has lobbied against action on climate change.

Where this lobbying has been undertaken indirectly, we will vote AGAINST the Chair if action is not taken to disassociate itself from this activity.

5.3 POLICY OUTREACH & LOBBYING

PRINCIPLE

It can be both legitimate and beneficial to investors for companies to take an active and constructive role in helping to inform and shape the public policy debate, particularly in those areas of policy that clearly impact company interests.

However, when corporate resources are deployed to seek political influence there is also potential for abuse. Any political outreach or lobbying must clearly serve the interests of the company and its shareholders. It must also be done transparently to ensure that executives are held accountable by the Board; must be conducted within the confines of the law; and not at the expense of broader public welfare.

VOTING GUIDELINE

We will generally vote FOR resolutions to provide authority for companies to engage in policy outreach and lobbying as long as there is full disclosure to shareholders on their lobbying policy, goals, which organisations they support and the value of that support (both financial and in-kind), and this support is in line with long-term shareholder interests.

We will generally vote FOR resolutions calling for greater company disclosure of their political and lobbying spending, including to third- parties, and its justification.

We will vote AGAINST any authority to make donations or contributions to a specific political party.

Where it becomes known that the company is supporting a specific political party without shareholder approval, we will consider on a case-by-case basis whether to vote AGAINST the reappointment of the Chair of the Audit Committee, who has oversight of internal controls.

5.4 SHAREHOLDER PROPOSALS

PRINCIPLE

Shareholders should have the right to propose resolutions at annual meetings. Shareholder-proposed resolutions provide a means for shareholders to share their views and concerns with directors and other shareholders. They also allow directors to gauge the magnitude of shareholders' concerns. Companies should be prepared to engage constructively with shareholders about their views and concerns.

However, shareholder resolutions that seek to place unreasonable constraints on management can be detrimental to shareholder value. Shareholder resolutions that ask directors to pursue a certain course of action to the detriment of other shareholders' interests are by definition counterproductive.

VOTING GUIDELINE

We will consider shareholder-proposed resolutions on a case-by- case basis.

In cases where we have serious concerns about an aspect of a company's practices, and engagement with the company has failed to produce a satisfactory resolution of our concerns, we will consider putting forward a resolution aimed at changing those practices.

FOR FURTHER INFORMATION PLEASE CONTACT:

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