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# VOTING POLICY UPDATE IN 2024

We regularly review our **voting policies** to ensure they evolve with our thinking on corporate governance, and reflect our commitment to hold executives and auditors to account for their actions. As set out in our **Ownership Discipline**, voting is one of the core levers shareholders have to ensure robust governance, so it must be handled with diligence and care. As we approach the 2024 voting season, we wanted to share key changes we have implemented. Please refer to our **updated policy** for further detail.

In keeping with all our voting, while these changes guide our central view, we remain alert to unintended consequences. Where these become plain or an ongoing engagement demands a different approach, we will tailor our vote for those specific circumstances. Our rationales are published alongside our voting actions on our website.

## SOCIAL VALUE CHAIN

Reflecting our ongoing focus on human and labour rights in companies' operations and their value chains, we operate a labour & human rights company watchlist. This directs our engagements with boards and management teams, while also triggering a manual review of progress to feed into our voting. Where we have raised concerns and these have not been properly addressed, we vote against incumbent board chairs.

## ONE-SHARE-ONE-VOTE

We have introduced a new rule to support any proposal that introduces the one-share-one-vote principle. We believe deviation from this principle negatively affects minority shareholders' rights to hold boards to account.

## PROXY CONTESTS

We have changed our categorisation of these voting items to ensure that we always review them on a case-by-case basis. Previously our proxy service provider considered them a routine matter and did not refer to us.

## ANNUAL SAY ON PAY (SOP) VOTE IN THE US AND CANADA

We believe the right to approve remuneration of senior leaders on an annual basis is important to ensure alignment with shareholder interests. With this in mind, we have introduced two new rules:

- We will vote against the chair of the remuneration committee when SoP voting is less frequent than once a year; and
- We will consider voting against all incumbent remuneration committee members if SoP is not put to the vote in the current year and there have been remuneration-related concerns in the previous year, i.e., we voted against the executive remuneration proposal.

## ALIGNMENT WITH LONG-TERM VALUE CREATION

We continue to expect that company CEOs accumulate a substantial shareholding. We have specific expectations for US and European companies, including the UK. We have differentiated our requirements further by lowering the threshold for Continental Europe and the rest of the world. This reflects the greater weight given to base salaries in pay packages in these regions, making it more difficult to meet our stated thresholds.

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## QUANTUM OF PAY

We are alert to excessive pay awards due to potential concerns over this use of shareholder capital, as well as the reputational harm this can do to a business. Currently, where the overall quantum awarded to the CEO exceeds a certain threshold for a US or UK company, we consider such remuneration reports and policies on a case-by-case basis. We have now introduced a threshold for companies in Continental Europe and Ireland as well, aimed at targeting slightly more than the top 5% of European companies in terms of CEO pay quantum.

## ESCALATION RULES

To escalate our concerns about board effectiveness, we have a long-established practice of holding directors personally accountable for failures to deliver progress in their areas of responsibility. We vote against the chairs of relevant committees in escalation cases. E.g. when we have voted against the auditor for two consecutive years, we will subsequently vote against the audit committee chair.

We have added a further escalation rule. If a concern persists and the board has not taken adequate actions over a four-year period despite explicit engagement, we will consider voting against the board chair. This includes the situations of less than majority board independence, concerns about the auditor and executive remuneration.

## DIRECTOR INDEPENDENCE

In line with the recommendations of the UK Corporate Governance Code, we will reduce the tenure expectation for independent directors in the UK and Ireland to nine years from 12 years.

## ANNUAL DIRECTOR ELECTIONS

We believe annual director elections are important to underpin shareholder accountability. In certain jurisdictions, directors can be elected in a staggered way, or all at once, but for a term of more than one year. We have added a rule covering the latter category and will vote against the chair of the nomination committee should these situations occur.

## EXTENDING DIRECTOR INDEPENDENCE REQUIREMENT TO SITUATIONS WHEN DIRECTORS ARE NOT PUT IN VOTE

We expect all key board committees (notably audit, nominations and remuneration) to be fully independent. We currently vote against non-independent directors serving on key committees. From 2024, when a particular non-independent director is not up for election that year (for instance, in the situation of staggered boards), we will vote against the chair of the nominations committee.

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