

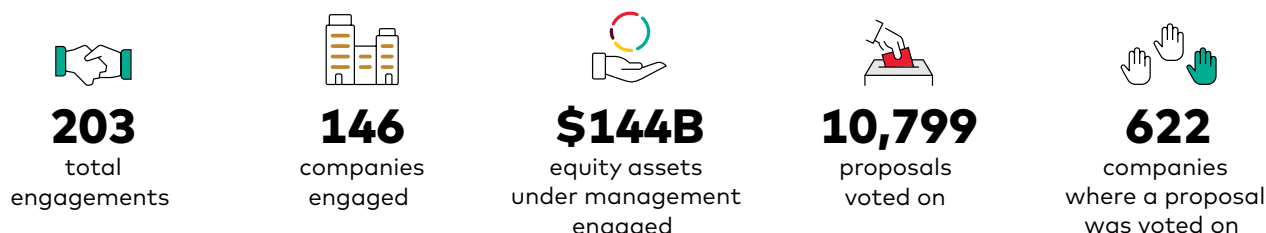
U.K. Regional Brief

This Regional Brief reports on the corporate governance topics and trends Vanguard's Investment Stewardship team observed across portfolio companies domiciled in the U.K.; it includes data on the proxy votes cast by the Vanguard-advised funds between July 1, 2024, and June 30, 2025 (the 2025 proxy year).¹ We provide this brief, and other publications and reports, to give Vanguard fund investors and other interested parties an understanding of the engagement and proxy voting activities we conduct on behalf of the funds.

Vanguard's Investment Stewardship team's analysis of portfolio companies' corporate governance practices centers on four pillars of good corporate governance, which are used to organize this brief: board composition and effectiveness, board oversight of strategy and risk, executive pay, and shareholder rights.

During the 2025 proxy year, the team conducted 203 engagements related to 146 companies in the U.K., representing \$144 billion in equity assets under management (AUM) of the \$188 billion in the funds' total equity AUM in the region. The funds voted on 10,799 proposals across 622 companies in the region.

At a glance



Regional AUM engaged



¹ Vanguard's Investment Stewardship program is responsible for administering proxy voting and engagement activities pursuant to the Vanguard-Advised Funds Policy for the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). This publication describes the proxy voting and engagement activities conducted by Vanguard's Investment Stewardship program pursuant to the Vanguard-Advised Funds Policy; it does not include (a) votes cast on behalf of investors who, through Vanguard's Investor Choice program, chose to have their proportionate portfolio holdings in certain index funds voted in accordance with a policy other than the Vanguard-Advised Funds Policy, or (b) proxy voting and engagement activities for externally managed funds conducted by their respective third-party investment advisors. Throughout this document, "we" refers to Vanguard's Investment Stewardship program and "the funds" refers to Vanguard-advised fund shares voted pursuant to the Vanguard-Advised Funds Policy.



Board composition and effectiveness

Good governance begins with a company's board of directors. We seek to understand to what extent board members, who are elected to represent the interests of all shareholders, are suitably independent, capable, and experienced to carry out their duties. We also aim to understand how boards assess and enhance their own effectiveness over time.

Director and executive succession planning

We saw a persistent trend in board refreshment and executive succession planning among U.K. companies from the 2024 proxy year into the 2025 proxy year. Many boards' considerations of these matters were influenced by the Financial Reporting Council (FRC)'s U.K. Corporate Governance Code, which advised that board chair tenure should not exceed nine years. However, we also encountered a handful of "comply or explain" scenarios where board chairs remained in their posts for more than nine years to provide appropriate board-level support and oversight during executive transitions.

Many U.K. boards reported continuing to use internal and external board evaluations as well as board skills matrices to identify gaps in board skills, experiences, and personal characteristics and to identify potential board candidates. Across sectors, many boards often highlighted the importance of candidates with expertise in digital transformation, change management, and global leadership. This emphasis was driven by the need to navigate an increasingly complex set of macroeconomic, geopolitical, supply-chain, and competitive risks.

Regarding executive succession planning, we saw several boards that had previously adopted longer-term strategies regarding executive succession planning see those strategies come to fruition. We observed that companies that were well-positioned for these transitions

demonstrated a robust process for evaluating both internal and external candidates, a thoughtful and comprehensive onboarding approach, and, in some cases, an appropriate overlap with a predecessor to facilitate effective knowledge sharing before the official handover of responsibilities.

Board diversity

Our assessment of portfolio company boards is informed by relevant market-specific governance frameworks. Since April 2022, the Financial Conduct Authority (FCA)'s U.K. Listing Rules have required listed companies to adhere to a "comply or explain" rule for board diversity. These rules mandate that boards consist of at least 40% women, at least one ethnically diverse director, and at least one senior female board member (such as the chair, CEO, senior independent director, or CFO). Through ongoing engagement with portfolio companies on board composition and effectiveness, we learned that these rules contributed to companies' board refreshment and executive succession planning processes.

In the 2025 proxy year, while most companies met the U.K. Listing Rules' requirements (addressing the need to "comply") or provided sufficient disclosure explaining their approach to board diversity (meeting the alternative need to "explain"), the funds voted against directors in certain cases when we identified a lack of disclosure of the company's adherence to the "comply or explain" requirements.

Board and key committee independence

While the vast majority of U.K. boards met or exceeded the general thresholds regarding board and committee independence articulated in the funds' proxy voting policies, the funds voted against directors at certain companies across sectors in the U.K. that failed to meet these thresholds when no rationale for the lack of independence was disclosed. We noted that, in several instances, companies shared during engagements that they did not disclose the composition of key committees because of the more informal nature of how these groups had come together in practice. The lack of disclosure on committee composition may present difficulties for shareholders looking to assess independence levels and leadership of those committees, so where these practices endure without enhanced disclosure, the funds may vote against nonindependent directors sitting on key

committees—or other relevant directors—to reflect concerns about board and/or committee independence. We assess each proposal on its merits and by making balanced, case-by-case assessments of the facts and circumstances at the company in question.

Board and key committee attendance

The majority of U.K. companies disclose director attendance to demonstrate board effectiveness and commitment. In a few rare cases, we identified concerns when a director attended less than 75% of board or committee meetings (the general threshold articulated in the funds' proxy voting policies). In these situations, we sought to understand the rationale for the director's lack of attendance. In some cases, we found that companies did not disclose the rationale; when that happened, the funds voted against the director's reelection to express concerns about director attendance.



Notable case studies

At the 2025 annual meeting of **North Atlantic Smaller Companies Investment Trust plc**, the funds did not support the reelection of the board chair because of concerns about a lack of gender diversity on the board and the absence of relevant disclosures aligned with the U.K. Listing Rules explaining that lack of diversity. Although the company is an investment trust with no employees, it is subject to the Listing Rules' "comply or explain" requirements for board diversity. At the time of the vote, the company disclosed that only 14% of its directors were female, and it had not disclosed any acknowledgment of the FCA's diversity targets or any plans to address them. The funds thus voted against the chair of the board to reflect our concerns regarding what we assessed to be the company's lack of adherence to U.K. market requirements for board diversity.

The funds voted against three directors at **Aston Martin Lagonda Global Holdings plc**, a U.K.-listed automotive company, at its 2025 annual meeting because of concerns about director attendance. The funds did not support the election of directors who had failed to attend at least 75% of board and committee meetings. The company disclosed what we assessed to be a limited rationale regarding the directors' lack of attendance. The funds also did not support the reelection of both incumbent members of the Remuneration Committee for a combination of concerns about ongoing remuneration practices at the company as well as attendance.



Board oversight of strategy and risk

Boards should be meaningfully involved in the formation, evolution, and oversight of a company's strategy. Similarly, boards should have ongoing oversight of risks to their company and establish plans to mitigate those risks. We work to understand how boards of directors are involved in strategy formation and evolution; oversee company strategy; and identify, govern, and disclose material risks to shareholders' long-term returns.

During the 2025 proxy year, we engaged with U.K.-listed companies on a broad range of material risks. Common engagement topics included evolving geopolitical uncertainty, human capital management, climate-related risks, and technological risks. The technological risks encompassed ongoing cybersecurity threats as well as the new challenges and opportunities presented by AI.

Geopolitical risk

In both the 2024 and 2025 proxy years, we engaged with U.K.-listed companies on the implications of geopolitical uncertainty. In 2025, this included a heightened focus on the outcomes of global elections, including those of the U.K.'s 2024 general election, which introduced new policy directions and regulatory scrutiny across sectors. U.K.-listed companies also faced additional workforce-related cost pressures resulting from April 2025 increases to employers' national insurance rates. We heard from many portfolio companies that these developments prompted board-level discussions about long-term workforce planning, cost management, and the potential impact on talent retention. In parallel, we observed that global trade-related uncertainty remained a key concern among portfolio companies. We heard from many boards that broader macroeconomic volatility, shifting tariff regimes, and concerns about a global trade slowdown were frequent topics of boardroom discussion. We noted that companies with international operations were especially focused on navigating these risks while maintaining supply-chain resilience and market access.

Climate-related risks

The U.K. has embedded the Task Force on Climate-related Financial Disclosures (TCFD) into law for many large U.K.-listed companies. As such, during the 2025 proxy year, we continued to see many U.K.-listed companies produce robust climate-related disclosures. We also saw a handful of management and shareholder proposals related to climate-related risks during the 2025 proxy year. The number of management-proposed Say on Climate resolutions and related votes at company shareholder meetings during the 2025 proxy year remained similar to 2024 levels. We continued to engage with companies that sought input on environmental and social topics through a shareholder vote. We engaged to share our perspectives on Say on Climate votes and to inform our case-by-case analysis of those plans. Following the funds' 2025 voting policy, which clarified our general approach of abstaining on Say on Climate proposals, the funds abstained on more of these votes than in the previous year. As passive investors, the funds do not seek to opine on or dictate portfolio company strategy or operations, inclusive of strategies and operations regarding climate-related matters.

Cybersecurity and AI

Cybersecurity remained a prominent topic in engagements with portfolio companies across sectors, especially in the consumer retail sector, which faced increased scrutiny following several high-profile ransomware attacks. In those cases, we observed that the incidents reinforced companies' awareness of the significant consequences that can arise from materialized

cybersecurity risks. Also, in response, many companies prioritized director education and board-level preparedness exercises.

During the 2025 proxy year, we also noted a growing emphasis on the risks and opportunities associated with generative AI. We heard from many companies that they were exploring AI use cases, seeking to harness efficiency gains. We observed boards actively upskilling directors and senior leadership, with a focus on equipping them to both capitalize on emerging technologies and oversee the associated risks through appropriate governance frameworks.

Activism

We noted an increase in activist activity during the 2025 proxy year. The funds voted on 59 shareholder proposals across 14 companies during the period. We also saw the number

of proxy contests rise, from one to 10. These included the ShareAction real living wage campaign in the consumer retail sector and activist disagreements with company strategy and performance, including Elliott Investment Management L.P.'s campaign at **BP p.l.c.** and an investment trust campaign by Saba Capital Management, L.P., alleging long-term underperformance and mismanagement at certain investment trusts.

As passive investors, the funds do not seek to dictate company strategy or interfere with a company's day-to-day management. That said, we believe that a company's fulsome disclosure of material risks to long-term shareholder returns is beneficial to the public markets to inform a company's valuation. We assessed each situation case by case, and the funds did not support any shareholder proposals during this proxy year.



Notable case studies

At the 2025 annual meeting of **Aviva plc (Aviva)**, a U.K.-listed diversified insurer, the funds abstained on approving the company's Climate-related Financial Disclosure for 2024 as outlined in Aviva's annual report. In the absence of a clear regulatory framework governing advisory votes on climate-related financial disclosures, we determined that supporting or opposing the company's Climate-related Financial Disclosure for 2024 was inconsistent with the funds' passive investment strategies; as passive investors, we do not seek to opine on or dictate portfolio company strategy or operations. For more information on how the funds voted at Aviva's annual meeting, see our [Insights piece](#).

The funds did not support a shareholder proposal at the 2025 annual meeting of **Shell plc (Shell)** that was submitted by activist groups ShareAction and the Australasian Centre for Corporate Responsibility (ACCR) and supported by several U.K.-based pension funds. The proposal requested that Shell disclose whether and how its liquefied natural gas forecasts, production and sales targets, and planned capital expenditures in natural gas assets were consistent with the company's climate-related commitments. While the proposal requested additional disclosures, we concluded that its scope was overly prescriptive in that it requested specific components of Shell's strategy and operations. In addition, upon reviewing Shell's existing disclosures, we determined that the company had already disclosed appropriately clear and detailed information related to the risk.

The funds did not support substantially similar shareholder proposals put forward by ShareAction at U.K. retailers **NEXT plc**, **JD Sports Fashion Plc**, and **Marks and Spencer Group plc**. The proposals requested enhanced disclosure of the companies' approach to pay, including disclosure of the number of direct employees whose base pay was below the real living wage,

broken down by contract type. We evaluated each proposal case by case with consideration for each company's existing governance practices and disclosures. In each case, we assessed that it was not in the funds' interests to support the proposal.



Executive pay

Sound pay policies and practices linked to long-term relative company performance can drive long-term shareholder returns. We look for companies to provide clear disclosure about their compensation policies and practices, the board's oversight of these matters, and how the policies and practices are aligned with shareholders' long-term returns.

Global pay benchmarking

Building on trends from 2023 and 2024, in the 2025 U.K. proxy season we saw more multinational companies continuing to adjust the structure and increase the magnitude of their executive pay plans, aligning more closely with pay practices typically used in the U.S. Common drivers cited by U.K. companies for such changes included the need to attract and retain internationally mobile senior executives amid competition from U.S. peers, pay compression risks across senior management, and the growing relevance of global operations—particularly where a significant share of revenue is derived from the U.S. or international markets.

In response, some multinational companies conducted new peer benchmarking assessments referencing U.S. and global competitors. In our case-by-case analyses, we often found that these assessments were aimed at justifying significant increases in pay and addressing potential shareholder concerns about diverging from local market norms. While we observed that the quality and disclosure of these benchmarking exercises varied, we found that more compelling examples disclosed detailed peer-group analysis, including the members of the refined peer group as well as the methodology for selecting the peer group. We found that some companies provided reasonably detailed disclosures, often including an assessment of overall employee pay increases and/or pay opportunities in their organization as part of their rationale.

We observed more proposals seeking shareholder approval of increases to base salaries and maximum award levels for bonuses and long-term incentive plans. Notably, we also saw a

growing number of proposals introducing “hybrid” long-term incentive plans incorporating restricted share units (RSUs), reflecting the influence of international pay practices and competitive pressures.

An example of such a structural change took place at the annual meeting of the multinational hospitality company **InterContinental Hotels Group PLC**, where the funds supported a proposal to approve the remuneration policy. The policy proposed a substantial salary increase for the CEO. However, as the company provided a clear rationale for these amendments—including benchmarking against an intentional peer group commensurate to its geographic footprint and competitive global talent pool—we determined that the changes were appropriate. Similarly, we found that **Convatec Group Plc**, a global medical products and technologies company, provided a compelling strategic rationale for changing its executives' pay structure to better align with U.S. market practice, given its significant U.S. exposure and operations. As a result, the funds supported the company's proposed remuneration policy.

Removal of bankers' bonus caps

A topic that continued to affect remuneration decision-making at U.K. banks in 2025 involved the joint decision of the FCA and the Prudential Regulation Authority (PRA) to remove the cap on bankers' bonuses. The cap previously restricted variable pay awards to a maximum 2:1 ratio to fixed pay and had been introduced in 2014 in conjunction with European Union reforms. The modification to the rule enabled PRA-regulated firms to implement changes to remuneration policies as early as October 31, 2023. During the

2025 U.K. proxy season, we saw some banks shift to performance-based pay while maintaining the 2:1 cap structure—as was the case at **NatWest Group plc**—while others lifted the bonus cap altogether and rebalanced fixed and variable

pay toward stronger alignment with shareholder outcomes. We saw examples of this at **Barclays PLC (Barclays)** and **Standard Chartered PLC**, where the funds supported the remuneration policy at each company.



Notable case studies

At **Barclays**, a U.K.-listed universal bank, the funds supported the Directors' Remuneration Policy and associated pay amendments, which reflected the updated regulatory regime after removal of the bankers' bonus caps. The policy proposed by Barclays at the company's 2025 annual meeting introduced significant changes to the pay structure of the CEO and the CFO. These included a shift to a more variable, incentive-based structure by halving directors' fixed pay and increasing the proportion of variable incentives. The company disclosed that these changes would better align Barclays' pay practices with those of its international peers. After reviewing the company's disclosure and assessing the structure of the remuneration policy, the extent to which it would drive alignment of executive pay and company performance, and the board's governance of executive pay, the funds supported the policy. For more information on how the funds voted at Barclays' annual meeting, see our [Insights piece](#).

The funds supported the Directors' Remuneration Policy at **GSK plc**, a U.K.-listed pharmaceutical company and manufacturer of vaccines and medicines. While we recognized that the proposed changes to the executive pay package would result in a meaningful increase in overall quantum opportunity, we considered GSK's rationale for the changes to be reasonable and compelling. The company disclosed its process, which included a comprehensive global peer benchmarking analysis and detailed evidence of the relevance of its global footprint, particularly the prominence of the U.S. market to the company's business and operations. We also concluded that the proposed changes were intentionally aligned with the company's long-term strategy of awards remaining subject to what we assessed to be rigorous, performance-based targets, which in turn would support alignment between executive pay outcomes, business performance, and long-term shareholder returns.

The funds voted against the Directors' Remuneration Policy at **Harbour Energy plc (Harbour Energy)**, a FTSE 250-listed oil and gas company. The company proposed to enhance executives' total award package by increasing the maximum annual bonus opportunity and creating a hybrid long-term incentive plan by introducing RSUs into the long-term incentive plan. In addition, one-off awards related to a specific acquisition by the company were proposed for the CEO and CFO. However, from an assessment of the company's disclosures, we had concerns about the rationale and methods used to support the proposals. Harbour Energy had used the FTSE 100 and a select group of U.S. industry peers for benchmarking, despite being a FTSE 250-listed firm that had no operations or executive management in the U.S. Based on our analysis, we determined that the proposed structure of the new remuneration policy was not supported by a compelling rationale and risked causing misalignment between executive pay outcomes and long-term shareholder returns.



Shareholder rights

Shareholders have fundamental rights as company owners. We believe that a well-functioning capital markets system requires that companies have in place governance practices and structures that enable shareholders to exercise those rights.

Throughout the 2025 proxy year, the debate over the competitiveness of the U.K. capital markets remained a theme among issuers, investors, and policymakers. Issuers that contemplated changing their primary listings to markets other than the U.K. cited concerns about gaps in both executive pay and corporate valuations between U.K. and U.S. listings, as well as a belief that the U.S. listing regime—and the U.S. market more generally—would provide more flexible access to deeper pools of capital than what the U.K.'s capital markets could provide. We observed continued listing shifts, with companies such as **Wise plc** and **Ashtead Group plc** announcing moves from a primary U.K. listing to a U.S. listing, following similar moves in 2024 by **Flutter Entertainment plc** and **CRH plc**.

We also continued to observe several market trends that partly interlinked with the concerns raised by issuers, including ongoing consolidation or acquisition activity, such as the **Deliveroo plc (Deliveroo)** acquisition by U.S.-listed firm **DoorDash, Inc. (DoorDash)**, and a preference by some companies to either delist from public markets or else postpone listing decisions and remain private for longer.

These trends continued despite the 2024 implementation of the FCA's updated U.K. Listing Rules, which were intended to simplify and further align the U.K.'s listing regime with international market standards in order to encourage more companies to list and remain in the U.K. and, in turn, boost the U.K.'s market competitiveness and economic growth.

We will continue to monitor the regulatory landscape for any changes that affect the practices and disclosure of U.K.-listed companies. We will also continue to engage with U.K.-listed companies to understand their adherence to both the revised U.K. Listing Rules and the U.K. Corporate Governance Code. In cases where a company chooses to alter its listing, we will continue to assess the governance practices and the board's oversight of strategy related to these changes on a company-specific, case-by-case basis.

Regulatory development: U.K. Stewardship Code

We participated in the FRC's consultation on the U.K. Stewardship Code (the Code), which commenced in 2024 and ended in early 2025. The FRC stated that the focus of its review was on simplifying reporting for stewardship teams while maintaining a focus on high stewardship standards and outcomes.

Vanguard submitted formal feedback to the consultation and also engaged with the FRC to share our perspectives on the Code and how we steward Vanguard's passive equity portfolios. We welcomed the FRC's efforts to reemphasize the nonprescriptive, principles-based scope of the Code's expectations—and the greater flexibility this provides to signatories to pursue different approaches to stewardship, in accordance with their specific investment strategies.



Notable case studies

The funds supported the recommended cash acquisition of **Deliveroo** by **DoorDash** at its June 2025 special meeting. We engaged with Deliveroo leaders to better understand the governance process and strategic rationale for the cash offer from DoorDash. The funds vote case by case on all mergers, acquisitions, and financial transactions based on a governance-centric evaluation focused on four key areas: valuation, rationale, board oversight of the deal process, and the surviving entity's governance profile. Through our engagement and review of Deliveroo's disclosures, we determined that the Deliveroo board had maintained a robust oversight process and disclosed a reasonable and compelling rationale behind its recommendation that shareholders support the acquisition. We assessed that the structure of the offer was in line with shareholders' best interests, and the funds ultimately supported the acquisition.

Proxy voting data

Consistent with prior years, the Vanguard-advised funds supported the vast majority of management proposals in the U.K. during the 2025 proxy year. This level of support can, in part, be attributed to the fact that the funds' proxy voting policies are generally aligned with the expectations of U.K. public company practices and disclosures set forth in the U.K. Listing Rules and U.K. Corporate Governance Code. The volume of management and shareholder proposals related to environmental and social topics was low in the U.K. market. As discussed in the Board Oversight of Strategy and Risk

section of this brief, the funds' support for management environmental and social proposals declined from previous years due to the refinement of the funds' 2025 proxy voting policies stating that the funds will generally abstain on management Say on Climate proposals. We saw a similar number of mergers and acquisitions in the 2025 proxy year as in the 2024 proxy year, reflecting the ongoing U.K. market dynamics, with various sectors continuing to experience consolidation or privatization.

U.K.*					
Alignment with our pillars	Proposal type	Management		Shareholder	
		Number of proposals	% for	Number of proposals	% for
Board composition and effectiveness	Elect directors	4,298	99%	17	0%
	Other board-related	27	100%	38	0%
Board oversight of strategy and risk	Approve auditors	1,151	100%	—	—
	Environmental and social	7	57%	1	0%
Executive pay	Management Say on Pay	758	97%	—	—
	Other pay-related	231	95%	1	0%
Shareholder rights	Governance-related	556	100%	—	—
Other proposals	Adjourn/other business	834	100%	—	—
	Capitalization	2,757	100%	—	—
	Mergers and acquisitions	121	94%	—	—
	Other	—	—	2	0%

* Includes U.K., Ireland, and the Crown Dependencies.

Note: Data are for the proxy year ended June 30, 2025.



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