

Investment stewardship philosophy



As a leading asset manager, it is our responsibility to use our proxy votes to encourage transparency and corporate governance structures that we believe protect or promote shareholder value.

Just as the investors in our equity funds generally have a long-term investment horizon, Charles Schwab Investment Management (CSIM) takes a long-term, measured approach to investment stewardship. We strive to promote long-term shareholder value through the consistent application of our guiding principles as we engage with companies through proxy voting.

Our primary focus within the proxy voting landscape is on corporate governance practices and relevant risks. We believe that a company's board should be accountable for its impact on both the company's strategy and performance. Therefore, we focus on the structure of a company's board and the actions the board has taken to drive strategy and performance. Their decisions are critical because successes and failures in these areas can impact the value of a company's stock. Consequently, CSIM's proxy policies seek to encourage companies to perform over the long term and manage their risks appropriately.

For more insights, visit us at [schwabfunds.com](https://www.schwabfunds.com).

What is our approach when we vote?

We believe that corporate directors, as the elected representatives of all shareholders, are best positioned to oversee the management of their companies. Accordingly, we typically support the board of directors' or management's recommendations on proxy matters. However, we do not follow their recommendations when we believe it is not in the best interests of our fund shareholders.

CSIM's proxy voting policy focuses on:

- Board composition and quality
- Actions a board has taken to drive strategy, deliver performance, and manage relevant risks
- Clarity and accessibility of reporting on key shareholder issues

How do we make proxy voting decisions?

CSIM follows a deliberate process in the development of our proxy voting guidelines.

This starts with the investment stewardship team, which has decades of experience researching, analyzing, and advising on proxy and other shareholder issues. The team identifies trends in corporate governance and reviews academic and other research to better understand the issues and the effects these issues may have on shareholder value. Our philosophy and principles are consistent across all our investments and are applied based on local best practices and regulatory requirements.

How will our process and our principles evolve?

Throughout the year, the CSIM investment stewardship team advises our leadership on current and emerging investment stewardship issues. At least annually, we review our proxy voting policy, making changes as appropriate based on:

- An evaluation of prior years' voting trends (backward-looking)
- The assessment of emerging corporate governance issues (forward-looking)
- The analysis of research conducted by our independent proxy advisors
- The application of lessons learned from active participation in industry conversations

Charles Schwab Investment Management

With a straightforward lineup of core products and solutions for building the foundation of a portfolio, Charles Schwab Investment Management advocates for investors of all sizes with a steadfast focus on lowering costs and reducing unnecessary complexity.