

# Investec Wealth & Investment Voting Summary 2020

## Introduction

We exercise voting rights on behalf of our discretionary clients, and will engage with the boards of companies where appropriate. We partner with Institutional Shareholder Services (ISS), which provides us with governance and voting analysis as an input into our decision making, with our overall voting and engagement activities overseen by our Investment Corporate Governance Committee. We believe it is important to take an active role in engaging with the companies that we invest in on our clients' behalf. One of the most effective ways to achieve this is by exercising the voting rights of our clients' investments.

Our full voting policy can be found here: [https://www.investec.com/en\\_gb/wealth/private-clients/about-us/responsible-investing-approach.html](https://www.investec.com/en_gb/wealth/private-clients/about-us/responsible-investing-approach.html)

This report provides oversight into our voting activity in 2020.

## Governance structure

Our governance structure has been created to ensure appropriate oversight is in place across our asset classes. Our research specialists in both direct equities and collectives are responsible for implementing IW&I's approach to governance across their respective asset classes. These forums report into the Investment Corporate Governance Committee (ICGC).

This robust structure ensures that the differing priorities of governance for investment trusts and direct equities are appropriately considered. In turn this helps ensure that our clients' interests are being best served. The ICGC is chaired by an Executive Committee member, reflecting our commitment to engagement.



## Direct equities

Summary of 2020 activity

Votes cast:

2020	AGM or EGM	Votes Lodged	Votes Against Management	%
United Kingdom	95	1800	16	0.9
United States	39	577	47	8.1
Europe	9	201	23	11.4
<b>Totals</b>	<b>143</b>	<b>2578</b>	<b>86</b>	<b>3.3%</b>

A summary of issues voted against during the course of the year

Shareholder Resolution	Remuneration	Board Re-election	Auditor's Report	Share Repurchases	Other
32	37	14	1	1	1

Specific examples of issues voted against:

Shareholder resolutions

### Apple

Contrary to the board's recommendation, we supported a shareholder proposal for Apple to deliver a Report on Freedom of Expression and Access to Information Policies. This called for the company to publish, at reasonable cost and excluding proprietary/confidential information, a report on its policies on freedom of expression and access to information, including whether it has publicly committed to respect freedom of expression as a human right. This hasn't been proposed before, and the proponents argue that it would help shareholders to gauge the company's management of reputational risk. This proposal appears to relate in particular to China where Apple has acceded to a number of official requests that run contrary to the defence of freedom of expression and access to information. Apple counters that it already publishes a lot of information on human rights, and that it has to obey local laws.

Remuneration

### British American Tobacco

We voted against the Remuneration Policy at BAT. The main concerns were the 9.5% increase to the new CEO's salary and the increased LTIP award to the new CFO, at 400% of annual salary. The CEO's salary is now comparable after one year in his post to that of his predecessor, who had held the role for eight years. The CFO LTIP, at 400% of salary, follows an increase to the policy limits at the previous AGM that was said to account for flexibility. We noted that his salary is substantially lower than his predecessor, but is still considered competitive for a FTSE 30 company CFO. This follows a trend of steady increases to remuneration in recent years, and there is no commensurate additional stretch to the LTIP performance targets. ISS notes a trend of above-inflation CEO salary increases, while total shareholder returns (TSR) have been under some pressure over the last three years. We also noted that most global management teams are taking salary decreases or freezes in the current COVID-19 environment, and that a 9% y/y CEO salary increase against this backdrop appears a touch excessive.



Board re-election

### **Boeing**

We voted against the re-election of four long-serving non-executive directors in response to the 737-MAX crisis. Whilst the CEO had already left the business, we believed that this action sent a strong message to the incoming CEO with regard to the need to improve the efficacy of the board's oversight, given that some weakness here appears to have been a contributing factor to the issues around the 737-MAX.

Other selected voting decisions against the board:

### **Chevron**

Three shareholder proposals, including one looking for a report highlighting how Chevron's lobbying is aligned with the ambitions of the Paris Climate Accord. The board objected, stating that this overlaps with its existing disclosure around political activities. ISS recommended voting with the shareholders, and we concurred.

### **Home Depot**

Two shareholder proposals, one calling for a report on Employment Diversity (Home Depot has improved on this front, but more could be done) and one calling for executives be forced to retain their shares for two years on leaving the business. We supported both. Note that ISS recommended voting contrary to the board on two other items, but we did not agree, highlighting that whilst ISS is an extremely useful prompt for our voting decisions, it does not dictate them.

### **Lloyds**

Voting against the Remuneration Policy and Long-Term Share Plan - these two items should be considered in conjunction. They effectively replaced a performance-based long-term incentive scheme with a non-performance-based scheme. The proposed change will lead to the granting of time-based, as opposed to performance based awards

### **Kroger**

Two shareholder proposals, one calling for a report assessing the environmental impact of using unrecyclable brand packaging – this is the 9th successive year in which such a proposal has been tabled; last year it received 39% shareholder support. Secondly, that Kroger issues a report providing greater detail on its human rights due diligence process, to enable better mitigation of any adverse human rights impacts across its operations and supply chain.



## AIM

Summary of 2020 activity

Votes cast:

	Number of resolutions	Votes Against Management
Totals	378	2

## Collectives

Summary of 2020 activity

Votes cast:

	AGM or EGM	Votes Lodged	Votes Against Management	%
Totals	93	1215	14	1.1%

Issues voted against:

### **Keystone Investment Trust (5 votes against)**

We voted against the re-election of directors following a number of poor outcomes when engaging with the board.

### **BlackRock North American Investment Trust (2 votes against)**

We voted against the re-election of the chairman where we thought the closed ended structure could have been better used. We also voted against a board member where we believe he was overboarded.

### **Gabelli Value Plus Investment Trust (5 votes against)**

Following a number of engagements with the company and a letter which we made public, we voted against the continuation of the company at the AGM, and against all proposals at the special meeting.

### **Jupiter US Smaller Companies Investment Trust (1 vote against)**

We voted against the continuation of the company on the grounds that the long term manager was retiring and the new appointee had a different style, and there was limited scope to use the closed ended structure to the benefit of investors.

### **SQN Asset Finance Income Investment Trust (1 vote against)**

We voted against the continuation of the C shares due to concerns about the cost to investors.



## Engagement

We also conducted significant extra engagement activities throughout the year. In addition to the yearly meetings with boards which are scheduled into our process, in 2020 we conducted extra meetings with 30 of the investment companies in which we are invested. There were 5 of these trusts where we conducted more than 5 additional engagements each, and one additional trust where we conducted 31 extra engagements. In addition to dealing with specific issues, we put pressure on boards to maintain best practice and deliver value for shareholders, as well as providing feedback on any proposed changes and acting as a general sounding board. A general outline of the subject of these engagements is provided below:

- Changes to the management and investment processes of the underlying strategies
- Pricing and performance fees
- Equity issuance and pre-emption rights
- Board composition, evolution and engagement
- End of fixed life and continuation votes
- ESG (Environmental, Social, and Governance) integration
- Manager succession
- Dividend and liquidity issues
- Portfolio bids