

# 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 so far 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 Q1 activity

Votes cast:

Q1 2020	AGM or EGM	Votes Lodged	Votes Against Management	%
Countryside Properties	AGM	18		
Visa Inc. Class A	AGM	13		
Shaftesbury	AGM	19		
Siemens AG	AGM	37		
Imperial Brands	AGM	19		
Compass Group	AGM	23		
Urban&Civic	AGM	20		
Investec	EGM	2		
Phoenix Group Holdings	EGM	2		
Sage Group	AGM	19		
Apple Inc.	AGM	12	1	
Walt Disney Company	AGM	13	2	
Novo Nordisk A/S Class B	AGM	29		
<b>Totals</b>	<b>13</b>	<b>226</b>	<b>3</b>	<b>1.3%</b>

Specific Examples:

### Apple

“Report on Freedom of Expression and Access to Information Policies”

This was a shareholder-lodged item that 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 had not 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. ISS argues that Apple’s published statements amount to principles, not specific policy actions.” We voted in line with the ISS recommendation, against management, on this resolution.

### Walt Disney

“Advisory Vote to Ratify Executive Officers Compensation”

In essence, ISS believed CEO Bob Iger’s remuneration is excessive, and that his incentive targets are too modest and/or too unspecific. His base salary is double the peer group median and his incentives more than the peer median total. Our analyst was a little sceptical about the peer group, a list of companies that seem to have little in common except they are big, and tended to the view that Mr Iger should be judged on what he has achieved at DIS, not what others have achieved at different companies in different circumstances. That said, it is a big difference, and there is no reason why the incentive targets should not be more demanding and set against clearer objectives. Ultimately we supported ISS in voting against management and AGAINST the resolution.



### “Report on Lobbying Payments and Policy”

This was a shareholder resolution which management opposes, as it has done for the last five years. The company argued that it already discloses a lot of information about lobbying (the issue seems to be one of reporting, not an objection to lobbying per se) and has updated its policies since the resolution was submitted. ISS argues that in some areas the disclosure is still too opaque. In the analyst’s view it does not seem that adopting the resolution would compromise commercially sensitive information (and the company’s principal objection seems to be one of resource) and we voted against management and FOR the resolution.

### Summary of Q2 activity

Votes cast:

Q2 2020	AGM or EGM	Votes Lodged	Votes Against Management	%
3M Company	AGM	14		
Admiral Group	AGM	22		
Adobe Inc.	AGM	15		
Aggreko	AGM	20		
Alphabet Inc. Class A	AGM	24	5	
Amazon.com, Inc.	AGM	25	3	
AstraZeneca	AGM	25		
Aviva	AGM	26		
Barclays	AGM	30		
Beyond Meat, Inc.	AGM	4	3	
BNP Paribas SA Class A	AGM	30		
Boeing Company	AGM	20	9	
BP	AGM	23		
British American Tobacco	AGM	20	1	
Bunzl	AGM	17		
Carnival Corporation	AGM	22		
Chevron Corporation	AGM	19	3	
Citigroup Inc.	AGM	22	1	
Coca-Cola Company	AGM	15		
Colgate-Palmolive Company	AGM	14	1	
Credit Suisse Group AG	AGM	31	1	
CRH	AGM	21		
Danaher Corporation	AGM	15		
Danone SA	AGM	21		
Derwent London	AGM	23		
easyJet	EGM	4		
Exxon Mobil Corporation	AGM	18	3	
GlaxoSmithKline	AGM	24		
Greggs	AGM	17		
Home Depot, Inc.	AGM	18	2	
Ibstock	AGM	18		
Illinois Tool Works Inc.	AGM	13		
IMI	AGM	18		
Informa	AGM	22	1	
Intertek Group	AGM	23	1	
Intuitive Surgical, Inc.	AGM	15		
ITV	AGM	21		



Johnson & Johnson	AGM	18	2		
JPMorgan Chase & Co.	AGM	18	2		
Kroger Co.	AGM	14	2		
Legal & General Group	AGM	25			
Lloyds Banking Group	AGM	29	2		
London Stock Exchange Group	AGM	25			
Marston's	EGM	1			
Meggitt	AGM	20			
Melrose Industries	AGM	21			
Mondelez	AGM	15			
Mondi	AGM	17			
Next	AGM	26			
Northern Trust Corporation	AGM	15			
Ocado Group	AGM	27	2		
PayPal Holdings Inc	AGM	15	1		
Persimmon	AGM	18			
Philip Morris International Inc.	AGM	12			
Phoenix Group Holdings	AGM	28			
PNC Financial Services Group, Inc.	AGM	15			
Prudential	AGM	28			
Reckitt Benckiser Group	AGM	21			
RELX	AGM	21			
RELX	EGM	1			
Riverstone Energy Limited	AGM	13			
Roper Technologies, Inc.	AGM	13			
Royal Bank of Scotland Group	AGM	30	2		
Royal Dutch Shell Class B	AGM	21			
SAP SE	AGM	7			
Schroders	AGM	24			
Secure Income REIT	AGM	13			
SEGRO	AGM	21			
Smith & Nephew	AGM	21			
Spirax-Sarco Engineering	AGM	20			
Standard Chartered	AGM	30			
Standard Life Aberdeen	AGM	25			
Taylor Wimpey	AGM	22			
Tesco	AGM	26	1		
Tesco	EGM	1			
Thermo Fisher Scientific Inc.	AGM	14			
Total SA	AGM	22			
Travis Perkins	AGM	20			
U.S. Bancorp	AGM	15			
Unilever	AGM	22			
UnitedHealth Group Incorporated	AGM	14			
Vivendi SA	AGM	30	22		
Wells Fargo & Company	AGM	18	1		
Xylem Inc.	AGM	13			
Zoetis, Inc. Class A	AGM	7			
<b>Totals</b>		<b>85</b>	<b>1621</b>	<b>71</b>	<b>4.4%</b>
Of which:					
United Kingdom		48	992	10	1.0%
United States		30	467	38	8.1%
Europe		7	162	23	14.2%



## Rationales for voting against management

### Summary:

Below is a breakdown of the broad issues on which we have voted against the board's recommendations.

It is notable that there were relatively few votes against management in the UK or Europe (with the exception of Vivendi) whilst the US sees a notably higher strike rate. We suspect that there are two main factors behind this elevated US activity:

1. Still a lingering disregard of adhering to best Governance practices by boards, with regard to remuneration policies and director elections in particular.
2. Very active shareholders introducing items onto the ballot papers. Whilst some of these proposals are patently unrealistic others are wholly sensible and, despite the board's stock recommendation to vote against shareholder proposals, we supported several as detailed below.

### Specific examples:

#### **Vivendi**

The governance concerns at Vivendi, under the control (operational and voting) of the Bolloré family, are a principal reason why the name does not have more fulsome support from our research team. The number of governance issues highlighted by ISS is quite remarkable, objecting to 22 of the items on a 30 item ballot paper and we concurred with all of them. They ultimately boil down to common objections to remuneration practices and blatant conflicts of interests between director appointments between Vivendi and its subsidiaries. Note that the company scores relatively well from Sustainalytics' perspective, an overall risk score of 11.8 is low, bordering negligible risk, reflecting the relatively low potential for a media name to have a negative footprint, particularly from an Environmental perspective. However within that score of 11.8 is a 4.7 score for Governance, significantly elevated compared to the average of 3.7 for the companies in our research universe.

### Other selected voting decisions against the board:

**Chevron** – Three shareholder proposal, 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. It will result in the grant of awards without being subject to performance conditions; grant of awards shifts rather to be time-based, instead of performance-based.

**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.

## Collectives

Voting and Engagement in the first half of 2020

In the first half of 2020, we held over 50 hours of corporate governance related meetings in line with our standard process, and conducted numerous hours of extra engagements with 15 other trusts on our list.

We voted at the AGMs and EGMs of 61 trusts on our researched list in the first half of 2020. We voted in favour of 783 resolutions, and against 8 (see appendix).

Notable votes against were against BlackRock North American Income IT, Keystone IT, and SQN Asset Finance Income IT (C Shares), where we have been engaging with the boards over a period of time. In the case of BlackRock North American Income IT, we voted against the re-election of the Chairman following a number of discussions about the structure of the trust, and also against the re-election of one board member who we believe to be overboarded. On Keystone IT, we voted against the re-election of board members given what we believe to be poor outcomes from our engagements with them. On SQN, we have been in a long term engagement with the board regarding the strategic review of the trust, and note that we have conducted 15 extra individual engagements with this trust over the year so far.

**We will cover more details of our engagement activity in our yearly review for 2020, which will be released in early 2021.**

## Votes cast:

	Voting: #Res voted for	Voting: #Res voted against
Aberdeen Standard European Logistics Income	13	0
Aberforth Smaller Companies Trust plc	13	0
Apax Global Alpha	17	0
Baillie Gifford European (prev. EUT)	12	0
Bankers Investment Trust PLC	14	0
BBGI Bilfinger Berger Global Infrastructure SICAV SA	14	0
BH Global	12	0
BH Macro	12	0
Blackrock Frontiers IT	12	0
BlackRock North American Income Trust	12	2
BlackRock Smaller Companies IT	15	0
BlackRock World Mining IT	15	0



CVC European Opportunities	11	0
Ediston Property Investment Company	13	0
Empiric Student Property	19	0
FCPT Limited	14	0
Fidelity European Values PLC	14	0
Finsbury Growth & Income Trust PLC	15	0
Foreign & Colonial Investment Trust PLC	17	0
GCP Infrastructure Investments	14	0
Greencoat Renewables (Irish version)	9	0
Greencoat UK Wind	14	0
Ground Rents Income Fund plc	11	0
Hadrian's Wall Secured Investment	3	0
Henderson European Focus Trust PLC	14	0
Herald Investment Trust plc	13	0
HgCapital Trust plc	16	0
Impax Environmental Markets	14	0
International Public Partnership Ltd	15	0
JP Morgan Chinese IT plc	13	0
JPMorgan American	13	0
JPMorgan India IT plc	13	0
Keystone IT Plc	15	5
Lowland Investment Company plc	12	0
Murray International Trust PLC	14	0
NB Global Floating Rate Income Fund	13	0
Pacific Assets Trust plc	15	0
PHP - Primary Health Properties	18	0
Polar Capital Global Financials Trust PLC	18	0
Polar Capital Global Healthcare Trust PLC	13	0
RIT Capital Partners plc	19	0
River & Mercantile Micro Cap IT	9	0
Schroder Asia Pacific IT	14	0
Schroder Asian Total Return Trust	13	0
Schroder European Property	10	0
Scottish Mortgage Investment Trust	16	0
SDCL Energy Efficiency Income Trust	1	0
Sequoia Economic Infrastructure	15	0
SQN Asset Finance Income	3	0
SQN Asset Finance Income C	2	1
Standard Life Equity Income Trust	14	0
Temple Bar Investment Trust PLC	12	0
Templeton Emerging Markets (TEMIT)	12	0
The BlackRock Throgmorton Trust PLC	14	0
The Mercantile Investment Trust Plc	14	0
TRIG - The Renewables Infrastructure Group	16	0
Troy Income & Growth Trust plc	15	0
UK Commercial Property Trust	1	0
Warehouse REIT	7	0
Witan Investment Trust plc	16	0
Worldwide Healthcare Trust PLC	16	0

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