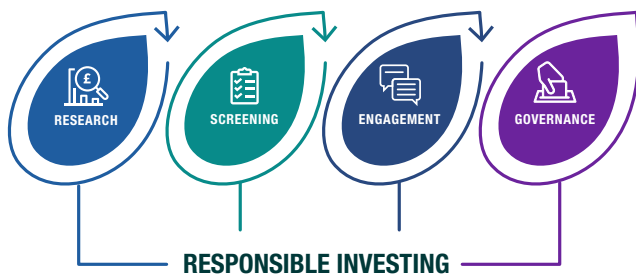


## WHY IS VOTING SO IMPORTANT?

Governance is one of EdenTree's four core pillars that support our approach to responsible and sustainable investment. Governance, at its simplest, entails exercising our right to vote at company meetings.



When shares are bought in a company, our clients become part owners in the business with rights and responsibilities. Shareholders are encouraged to be active owners in the companies in which they invest so that they are operated and managed to the highest standards. It is the duty of executives to manage, and for the Board to oversee the management, but the Board is ultimately accountable to the owners – you the client! The most obvious way these rights as shareholders are exercised is through voting at company meetings. Proxy voting is the most visible means of influencing corporate behaviour.

## WHAT DO YOU VOTE ON?

The Annual General Meeting (AGM) is the routine occasion for public companies to conduct statutory business at which their investors are required to vote. Other non-annual meetings include Extraordinary General Meetings, Special Meetings or Court Meetings which are convened for specific, non-routine purposes. The types of issues shareholders vote on in the UK are laid down in the Companies Act. Resolutions to adopt the Report and Accounts, pay a dividend, elect directors, appoint auditors (and set their fees), approve executive remuneration and other technical proposals around purchasing and allotting shares, are the main issues put to vote. Shareholders may also have the chance to vote on shareholder resolutions covering social or environmental topics. Overseas, each territory has its own rules and legal structures that determine what can be voted on.

## DO YOU VOTE AT EVERY MEETING?

Yes. Our policy is to vote at all meetings, both in the UK and overseas. The only exception is where meetings are 'share-blocked', where we would otherwise have to waive our right to trade in the stock for a period prior to the meeting. We have taken a House view that we will not do this, and in these situations we will not vote. This is increasingly rare however, and only occurs in a handful of markets such as Norway and Switzerland.

## IS VOTING COMPULSORY?

No. Voting has never been compulsory in the UK, although turnout is fairly high. The European average is slightly lower. In the UK the Stewardship Code, to which we are a signatory, has had some effect in raising voting levels as it requires investors to make considered use of proxy votes as part of its framework.

## HOW IS VOTING UNDERTAKEN? DO YOU CONTRACT IT OUT?

All UK voting (including Guernsey, Jersey and the Isle of Man) is conducted in house by the RI Team; our overseas voting is contracted out to our service provider, Glass Lewis & Co., who execute ballots in accordance with an agreed voting template.

## HOW ARE UK VOTING DECISIONS TAKEN?

**IVIS** We receive notice of a forthcoming meeting and consider background research provided by the IVIS voting service. This is the corporate governance proxy voting service of the Investment Association (IA).

The research considers every resolution and provides a 'traffic light' system indicating if there are any controversies. A 'red topped' report indicates that shareholders should be aware of serious breaches to best practice. IVIS does not provide voting recommendations. We apply our voting policy to the specific circumstances of each company and make our decisions based on a qualitative assessment of the prevailing governance. We believe it is vital to apply the policy flexibly so that the circumstances of each company are properly reflected in the voting decision. Proxy voting recommendations are made by the RI Team.



## HOW DOES IT WORK FOR OVERSEAS VOTING?

### GLASS LEWIS

Glass Lewis & Co. has delegated authority to vote

all EIM ballots other than in the UK, Guernsey, Jersey and IOM. Glass Lewis applies the EIM voting template which is based on OECD best practice guidelines. Corporate governance culture and practice varies from market to market, so it is impractical to develop a 'one size fits all' policy that covers every eventuality. For that reason, Glass Lewis has discretion to apply its own best practice model in each jurisdiction, subject to applying the EIM policy and template first.

We monitor forthcoming and instructed ballots on a daily basis in the peak season, and several times a week in the off-peak season. Voting instructions can be manually overridden.

## WHEN IS THE PEAK SEASON FOR PROXY VOTING?

The peak season is April to July, which reflects the fact that most companies have their financial year ends in December or March.

## WHY DO YOU SOMETIMES ABSTAIN RATHER THAN OPPOSE?

Abstentions, or withheld votes are not counted in law, and so some investment managers have a policy not to abstain. We take the view that withholding our vote sends a message that all is not well, and which can then act as an amber warning in future years. Abstentions are often employed where we view the issues as being of concern, but perhaps insufficiently material to warrant opposing. In practise, for EdenTree abstained votes are a very modest part of overall action taken.

## ISN'T THE VOTING CHAIN QUITE COMPLEX?

Yes. In spite of billions of votes being registered and cast each year, the actual mechanisms involved are complex, and often arcane. Once we have decided how to vote, ballots are recorded onto a proxy voting platform as a 'registered' vote. Once the cut-off date has passed (usually 48 hours prior to the meeting),

votes are aggregated by the fund manager's custodian bank (where the shares are held in safe custody), for onward referral to the company registrar (the 'issuer'). It is the job of the issuer to account for all the ballots submitted in order for the vote outcome to be published, at or just after, the company meeting. Electronic voting has helped streamline the system so that votes are less likely to go missing, but it remains unwieldy. If you attend the meeting in person, the Chairman will normally call a ballot, however, this is usually academic given institutional holders will have pre-lodged their votes.

## DO YOU ATTEND AGMS?

No. Owing to the volume of companies held, institutions seldom attend meetings. We may attend, from time to time if there is an especially contentious issue, or if we wish to ask a question.

## DOES EDENTREE STOCK LEND?

No, we do not stock lend. All stock held at the time a meeting is called is available to be voted except in isolated cases where the meeting is share-blocked.





## DO YOU TAKE ENVIRONMENTAL AND SOCIAL ISSUES INTO ACCOUNT?

This remains challenging as the AGM follows procedures laid down in the Companies Act, and does not routinely provide opportunity to vote on environmental or social performance. For this reason we have not formally integrated environmental issues into voting. We integrate diversity fully in both our UK and overseas voting policies and routinely oppose the Nomination Committee Chair where Board diversity is poor or lagging. We support shareholder resolutions (particularly in the USA where they are common), to support wider environmental and social best practice including climate change. Shareholder resolutions are increasingly common in Europe, and examples include climate resolutions at major oil and mining companies, and at banks.

## WHAT ARE THE MAIN ISSUES LEADING YOU TO OPPOSE?

The majority of action taken is against excessive executive pay (see below). In 2021, the majority of action taken - 56% - was against executive remuneration, followed by Board balance issues (director elections - 30%).

Reason for action	Oppose	Abstain	Total %
Executive Compensation	207	19	45%
Board Balance (Directors)	130	8	28%
Shareholder Capital Issues	28	0	6%
Other	89	19	21%
<b>Total</b>	<b>454</b>	<b>46</b>	<b>100%</b>

Source: Record of voting action taken in 2021.

## CAN CLIENTS INSTRUCT EDENTREE HOW TO VOTE?

No. Our Funds are managed under delegated authority, so that clients delegate shareholder rights in respect of proxy voting to the manager. We publish our voting policies and detailed voting templates so clients can understand where and in what circumstances we will take action. Our quarterly voting reports are published in full for clients to consult.








## THE RESPONSIBLE INVESTMENT TEAM

We have a specialist in-house Responsible Investment (RI) team who carry out thematic and stock-specific research to identify ethically responsible investment ideas for our range of screened Funds. Headed up by Neville White, Head of RI Policy & Research, and supported by Responsible Investment Analysts Carlota Esguevillas and Rita Wyshelesky, the team is also responsible for creating an on-going dialogue with companies, allowing us to engage on a wide variety of ethical and socially responsible investment concerns. For investors, it's an added layer of assurance that our client's money is being invested in companies that are operating in a responsible and sustainable way. Our ethical and responsible investment process is overseen by an independent Advisory Panel that meets three times a year, and comprises industry and business experts, appointed for their specialist knowledge.



		
<b>Neville White</b> Head of RI Policy and Research	<b>Carlota Esguevillas</b> RI Analyst	<b>Rita Wyshelesky</b> RI Analyst

**We hope you find this useful and informative.**

**For any further information please contact us on 0800 011 3821 or at [ifa@edentreeim.com](mailto:ifa@edentreeim.com)**

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