

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?

All voting is conducted by our service provider Glass Lewis & Co., who has delegated authority to execute ballots on our behalf. Glass Lewis applies the agreed EdenTree voting policy which is based on OECD best practice guidelines.

We receive notice of forthcoming meetings and consider background research provided by Glass Lewis, which considers each resolution, and provides recommendations in-line with their own policy. We apply our EdenTree voting policy to the specific circumstances of each company and make our decisions based on a qualitative assessment of the prevailing governance.

Corporate governance culture and practice varies from market to market, as such Glass Lewis has discretion to apply their own best practice model in each jurisdiction, subject to applying the EdenTree voting policy first. Where our policy diverges from that of Glass Lewis our policy supersedes their recommendations. All proxy voting recommendations are made by the Responsible Investment Team, who monitor forthcoming and instructed ballots on a daily basis. All voting instructions can be manually overridden by the RI team.

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 process. 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?

Historically AGMs follow procedures laid down in the Companies Act which do not routinely provide opportunity to vote on environmental or social performance. However, environmental and social shareholder resolutions are increasingly common in some markets, and we support these resolutions where appropriate. Examples include climate resolutions at oil companies or transition resolutions at banks.

In addition, we reserve the right to use voting as a form of escalation, to signal our discontent at a company's performance on environmental or social issues. For example we integrate diversity into our voting policies, routinely opposing Nomination Committee Chairs where gender or ethnic Board diversity is poor or lagging.

What are the main issues leading you to oppose?

The majority of action taken is against excessive executive pay (see below). In 2023, the majority of action taken - 48% - was against executive remuneration, followed by Board balance issues (director elections - 22%). Other includes votes against auditor re-appointment, political expenditure and shareholder resolutions.

Reason for action	Oppose	Abstain	Total %
Executive Compensation	262	24	48%
Board Balance (Directors)	103	27	22%
Shareholder Capital Issues	10	6	3%
Other	127	31	27%
Total	502	88	100%

Source: Record of voting action taken in 2023.

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 Carlota Esguevillas, Head of RI and supported by Senior Responsible Investment Analyst Amelia Gaston and Responsible Investment Analyst Cordelia Dower-Tylee. 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.



We hope you find this useful and informative.

For any further information please contact us on **0800 011 3821** or at ifa@edentreeim.com



Carlota Esguevillas
Head of RI



Amelia Gaston
Senior RI Analyst



Cordelia Dower-Tylee
RI Analyst

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