Brewin Dolphin

October - December 2022

Quarterly Stewardship Update

In the last quarter of the year, we continued our in-depth analysis of contentious voting items while mapping areas for future monitoring, and reviewed the results of our 2022 climate engagement with our fund managers.

Activity snapshot

This quarter we have:

- Utilised insights from our engagement dialogue with companies to make informed voting decisions
- Focused on shareholder proposals including on issues such as climate, human rights and tax
- Analysed the results of our Transition Pathway Initiative engagement with fund managers on climate

Our voting statistics

This quarter we voted at a total of 14 company meetings.

Votes for the quarter 01/10/22 – 31/12/22

14	11	3	0
meetings	with management	against	abstentions

This quarter, we voted at 14 meetings; at 11 we voted with management on all resolutions. In three meetings we voted against management; and there were no abstentions this past quarter. While we appreciate the insights lent to our analysis by Institutional Shareholder Services (ISS), our proxy voting provider, we continue to take a more nuanced approach to voting informed by our engagement with companies. For this quarter, this meant we decided to not follow ISS recommendations at least once in six meetings.

Case studies

Engagement informs voting decisions

In November, we engaged with Ruffer Investment Company, at the back of an ISS Sustainability Service recommendation to vote against the chair of the board for lack of ethnic diversity amongst board directors. Given that we are the largest shareholder at Ruffer, our position could have had a direct impact in the outcome of the proposal. By engaging with the company ahead of casting our vote, we found out that one of the incoming directors proposed for election at the Annual General Meeting is from an ethnic minority background, meaning the board would now meet the minimum standards of the Parker Review recommendations . We were therefore happy to support the re-election of the chair.

For us, this case illustrates the importance of digging into the detail and looking behind the data. While we consider third party recommendations and find them useful, we do not rely on them nor follow them blindly, but instead take a thoughtful and insightful approach to voting.

Shareholder resolutions remain in the forefront

This quarter, we looked again at various shareholder resolutions both in the US and Australia, covering issues from climate to human rights to tax.

At **Microsoft**, we supported four shareholder proposals asking the company to provide enhanced transparency on various issues, as we felt that these additional disclosures would allow shareholders to better evaluate the company's management of associated risks and help understand how the company is assessing and managing the progress of its initiatives. The proposals covered a breadth of topics such as government use of Microsoft technology and how it's aligned with the company's policies on violations of privacy, civil and human rights; alignment of the company's employment practices on hiring people with arrest or incarceration records against its racial justice and public commitments; reporting of tax payments in accordance with the Global Reporting Initiative's (GRI) Tax Standard to include non-US countries; and the company's retirement funds' management of systemic climate risk. While these proposals were not approved at the Annual General Meeting, we noted the high level of support ranging from 11% to 23% of shareholders, and will monitor the board's progress in addressing some of these issues in the year ahead.

We took a different stance at **BHP Group**, looking into two climate change related shareholder proposals. These proposals focused on policy advocacy, asking that the company proactively advocate for any Australian policy settings that are consistent with the Paris Agreement's objective of limiting global warming to 1.5ºC; and climate accounting, asking for a sensitivity analysis that includes a 1.5ºC warming scenario to be incorporated in the audited accounts, including quantitative estimates and judgements for all scenarios. While we sympathised with the spirit of the proposals, we considered them too broad and ambiguous to merit support. More specifically, although our expectation would be for any company's policy advocacy to be in full alignment with the Paris Agreement targets, the proposal did not set out clear expectations for the company on future positive lobbying; and on climate accounting, we had concerns about reporting estimates while keeping in line with accounting standards. As a result, we did not support the proposals, however we will keep monitoring developments as both of these issues are key areas of climate related discussions.

Case study: Transition Pathway Initiative

This quarter, we spent some time analysing the second round of engagement with our fund managers using the Transition Pathway Initiative (TPI) data set, to assess our indirect exposure to high-emitting companies that are not adapting their strategies to align with international climate goals. The TPI is a global, asset owner-led initiative which assesses companies' preparedness for the transition to a low carbon economy.

Using this data, we reached out to 45 fund houses, covering 129 funds, which hold approximately 100 companies showing as non-aligned. We asked managers to comment on how they have assessed the attempts of these companies to reduce emissions and the financial implications of failing to comply with global pledges. We also wanted to understand any engagements that had been undertaken, voting records and assessment of company progress. The responses were ranked, and feedback was provided to each fund house.

Overall, we were pleased with the outcome of the engagement. Not only does it signal to our fund managers that we see this issue as critically important, but we have also learned valuable information about how they are using climate data as tools for assessment and engagement. In the year ahead, we will be looking into carrying out the engagement again, building on the last two years' responses.

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