



# Quarterly Stewardship Update

The 2022 AGM season is well and truly upon us, with a significant proportion of our annual voting activity taking place prior to the summer holiday. Brewin Dolphin has also welcomed a new Stewardship Manager, Athanasia Karananou, to drive real progress in this area.

## Activity snapshot

This quarter we have:

- Maintained a strong focus on voting while navigating tricky markets
- Taken a long term, consistent stance on climate votes
- Supported board diversity
- Welcomed a new stewardship manager
- Continued our ongoing engagement programme and have started exploring leading company practices on microplastic pollution

## Our voting statistics

This quarter we voted at a total of 53 company meetings.

**Votes for the quarter 01/04/22 – 30/06/22**



This quarter we voted at 53 meetings; at 46 we voted with management on all resolutions. In seven meetings, we voted against management at least once and there were no abstentions this past quarter. We also disagreed with Institutional Shareholder Services (ISS), our proxy voting provider, at least once in 23 meetings. While we find that in many circumstances ISS recommendations align with our own views, we take a more nuanced approach to voting with our decisions often informed by further engagement with the company.

## Case studies

### Taking a consistent stance

This time last year, we supported a shareholder resolution at Berkshire Hathaway, requesting a greater degree of climate disclosure at a group level. This vote was unsuccessful, and a similar shareholder resolution was put forward again this year. The resolution requested an annual assessment of the company's management of physical and transitional climate-related risks and opportunities. Echoing last year, the board recommended voting against such a request.

We supported this resolution for the following reasons:

- Current disclosure levels are insufficient. As summed up by ISS: "Berkshire Hathaway has 62 subsidiary companies. On its website Berkshire provides links to a select 18 subsidiary company webpages or reports that discuss their sustainability initiatives. Out of those 18 companies, only nine provide information on GHG emissions or GHG emission reductions targets. Out of those nine, only two provide language regarding a commitment to net zero emissions by 2050".

- This current level of reporting suggests an underestimation of the potential for, and impact of, the Inevitable Policy Response. The Securities and Exchange Commission (SEC) is likely to require similar levels of disclosure in the future, so there is little harm in getting a headstart.
- We believe climate change has the potential to cause value destruction, and therefore a comprehensive and systemic disclosure and understanding of these risks is important. This would help reduce the risk of blind spots within management and could make Berkshire Hathaway a more attractive investment.

As with last year, this proposal did not pass. However, almost half of the independent shareholders (those not affiliated with the board) voted to support it, sending again a message to the company that more needs to be done.

### Ethnic diversity at board level

At the recent International Public Partnerships (INPP) AGM, ISS recommended a vote against the chair of the Nominating Committee due to a lack of ethnic diversity on the board. Having spoken to the company about this prior to the vote, we recognise the huge strides the board has made with regards to gender diversity, and that they are conscious of the lack of ethnic diversity. This is not an issue that can always be addressed quickly and we want to support companies that have a real desire

to make progress. INPP was listed as one of the FTSE 250's 'Top 10 Best Performers' for gender diversity in the FTSE Women Leaders review 2021. This gives us additional confidence that diversity is taken seriously by the company, and they will take steps to address the lack of ethnic diversity by aiming to attract the right candidates. We therefore supported the re-election of the chair of the Nominating Committee and will continue to monitor this issue at INPP and elsewhere.

### Supporting climate resolutions on a case-by-case basis

We believe it is important for our analysts to have a deep understanding of climate related issues and to vote on every climate resolution on a case-by-case basis. We do not have a policy of simply always voting for, or against, a particular resolution type. This approach ensures that we consider the implications for all stakeholders: our clients, the company and the environment.

At the recent Shell AGM, we voted to support the annual energy transition progress report, which gives details of Shell's progress against the climate objectives approved by shareholders in 2021. It is the opinion of our oil and gas analyst that Shell's targets are ambitious - they include a 50% reduction in direct (scope 1 and 2) emissions by 2030, and net zero across all scopes (1, 2 and 3) by 2050. We also

understand the difficulty in reducing scope 3 emissions as many technologies that will contribute to this reduction remain unproven.

At the same meeting, we voted against a shareholder resolution requesting Shell set and publish further GHG emissions targets. We are currently happy with Shell's targets to reduce emissions, which we believe are ambitious and consistent with our support of its energy transition progress report.

As part of our own commitments to net zero, we will continue to monitor the targets of our investee companies and engage with them if we do not feel progress is being made.

## Good governance is key

We voted against a number of resolutions at the recent LVMH (Moët Hennessy Louis Vuitton) AGM, mostly related to corporate governance matters.

In line with the ICAEW (Institute of Chartered Accountants in England and Wales), we recognise that the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the company. While corporate governance rules differ around the world, we aim to follow generally cited best practice when deciding on how to vote, regardless of the geography of the company in question.

In this instance, we voted against approving the auditor's report on Related-Party Transactions. This was because it

was very opaque, specifically regarding transactions with one shareholder, Agache, who provide services to LVMH and vice versa.

We also voted against two directors, one of whom was the CEO and Chairman, as it is good corporate governance practice for these two roles to be separate. The other was due to a lack of independence.

Finally, we voted against a number of resolutions related to remuneration policies. Overall, we felt the criteria for rewards are too unclear, and agreed with ISS that concerns raised at previous AGMs have not been adequately addressed by the company.

## Introducing our new Stewardship Manager



This quarter, we welcomed Athanasia Karananou as our new Stewardship Manager. Athanasia will be working with our research and sustainability teams to drive forward our stewardship work at Brewin Dolphin. She has fifteen years'

experience in responsible investment and corporate governance, expertise that will be invaluable as we continue to develop our stewardship approach and create positive change through our voting and engagement work.

Before joining Brewin Dolphin, Athanasia was the Director of Corporate Governance and Research at the UN supported PRI. In that role, she focused on collaborative engagements and thought leadership work on issues often covered in these updates such as bribery & corruption, tax responsibility, sustainability metrics in executive pay and director nominations.

Prior to the PRI, Athanasia worked at Sustainalytics, with a focus on responsible investment and governance. Athanasia has also worked as a corporate governance analyst at HSBC Global Asset Management, where she was responsible for engagement with portfolio companies and proxy voting. Before this, she was senior researcher at PIRC, leading a research team focusing on corporate governance analysis of emerging markets and sub-index companies.

Athanasia has an MSc in European Policy and Management, with a focus on European Politics and Corporate Governance (Birkbeck, University of London) and a BA in History, Art History & Archaeology (University of Athens).

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