



July - September 2024



Brewin
Dolphin

Quarterly Stewardship Update Q3

The summer is a time of a reflection in the stewardship industry.

As we come out of the other side of proxy season, we have a high number of votes to analyse for trends and insights. This update will touch on a few such insights and give examples of our work in practice.

Activity snapshot

This quarter, we have:

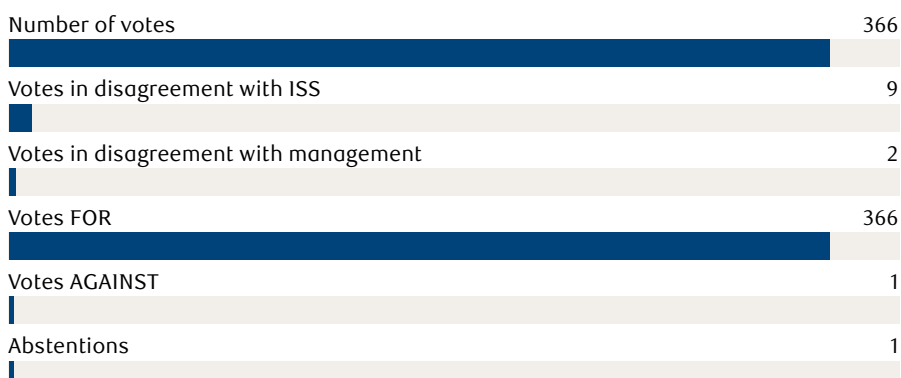
- Undertaken a review of proxy season
- Engaged on a data breach of unprecedented scale
- Continued our work with the Transition Pathway Initiative (TPI) dataset

Our voting statistics

This quarter, we voted at a total of 28 company meetings.

Votes for the quarter 01/07/24 to 30/09/24

| | | | |
|-----------|-----------------|----------|-------------|
| 28 | 27 | 1 | 1 |
| meetings | with management | against | abstentions |



Signatory of:



Overview of proxy season

Proxy season is the busy time in the annual general meeting (AGM) calendar, and falls roughly between March and June. It is when the majority of company meetings are held, and therefore when the majority of our votes are cast.

Proposals at AGMs can be put forward by both management and shareholders. The former are those submitted by the company for votes by shareholders, often on more ‘business as usual’ topics. The latter are resolutions raised by shareholders themselves, seeking change at the company and support from other investors to make such change happen. Shareholder proposals often focus on more environmental, social and governance (ESG)-related topics, and previous [updates](#) have discussed pro- and anti-ESG proposals. They are particularly prominent in North America, where companies have less of a culture of direct shareholder engagement compared to the UK and Europe.

Overall this year, while the number of ESG shareholder resolutions remained relatively flat, we have seen a modest decline in the levels of support for them, with governance proposals, such as those related to shareholder rights, being the exception. This means that support for environmental and social proposals has fallen, for a variety of reasons.

At RBC Brewin Dolphin, we were happy to support resolutions that requested additional disclosure or better risk oversight. However, we voted against those that were, for example, too prescriptive or not in the interests of our clients.

Another reason for waning support more broadly could be the politicisation of ESG and the arguably disproportionate response from some companies. For example, following the submission of a climate-related shareholder proposal at Exxon, the U.S. oil and gas producer, the company took legal action against the filers, not backing down even as the resolution was withdrawn.

Turning to management proposals, many of these focus on ‘business as usual’ topics such as the approval of annual reports and appointment of auditors. Director elections and remuneration-related proposals however, can be more contentious and can sometimes be seen as a way of holding companies to account. For example, almost 35% of AstraZeneca shareholders used their votes to object to the remuneration policy, and we saw over 22% of Shell shareholders voting against the climate transition plan in the third quarter.

UnitedHealth

Earlier in the year, UnitedHealth’s subsidiary Change Healthcare suffered an unprecedented data hack, which saw private patient information such as medical data and payment information stolen by hackers. As investors via our third-party funds, we engaged with

fund managers who hold UnitedHealth Group to assess how they are monitoring the company’s response. We reached out to a total of six fund managers, and as we have come to expect, they all responded.

One fund had sold the holding earlier in the year. The general consensus amongst the others was that the disruption the data breach caused to the highly complex U.S. medical industry was severe, and may have led to some customers diversifying by using another provider alongside UnitedHealth. However, given the low level of revenue that Change Healthcare contributes to its parent company UnitedHealth, the overarching investment thesis for the stock remains intact. However, a couple of the responses lacked sufficient detail and one quoted out-of-date information. As a result, further discussions were conducted with managers, and expectations of higher standards were communicated.

Engaging and voting on remuneration

Remuneration is a topic we often focus on when voting and engaging, as we believe in the importance of correctly aligning the interests of management and shareholders. We recently voted in favour of amendments to the remuneration of Ashtead’s executive management, against the recommendations of Institutional Shareholder Services (ISS), our proxy voting provider. This was due to our engagement with the company prior to the vote. Engaging gave us a chance to hear its rationales and provide our feedback, which was taken into account by the final policy. We were encouraged by the fact that Ashtead had engaged a significant proportion of its shareholders, and appreciate the challenges it faces in recruiting and retaining talent as a U.S.-based company listed in the UK, where remuneration is somewhat more modest. The engagement has given us confidence that the new policy brings remuneration levels more in line with U.S. peers, and we believe it is positive for shareholder value creation. This helps with talent retention, while maintaining a strong degree of shareholder alignment through long-term incentives.

Continuing our work on climate

We continue to use the Transition Pathway Initiative (TPI) data set to aid our monitoring of third-party fund managers. This quarter, we have held further meetings with some of the funds [we spoke to late last year](#) to provide feedback to managers and question them further on their approach. These meetings provided deeper insights into how resources, such as large stewardship teams, can sometimes mask superficial efforts, compared to genuine commitment from less-resourced teams. We also explored challenges in integrating climate concerns at the fund level when firm-wide standards are lacking. We observed the defensive nature of some climate policies versus more proactive, belief-driven approaches. Importantly, these

meetings allowed us to challenge managers that are lagging compared to their peers, and encourage more robust climate stewardship practices.

The TPI has recently released its latest '[State of Transition](#)' report, which discusses the process being made by the companies in the dataset. It is encouraging to see that the company coverage has expanded threefold since the last report in 2021.

This is beneficial for our analysis and assessing the climate-related risks our investments may be exposed to. However, we also noted the continued lack of progress for many companies in scope. We will continue to focus on managing our indirect risk exposure to companies that are not well positioned for the transition to a low-carbon economy, and provide thoughtful engagement in the year ahead.

Significant votes for Q3

| Company | Proposal | Disagree with management or ISS | Vote instruction | Rationale |
|---|---|---------------------------------|------------------|---|
| 3i Infrastructure PLC | Re-elect Richard Laing as Director | ISS | For | ISS recommended a vote against the Chair of the board due to a lack of sufficient ethnic diversity. We noted that the Trust has considered both the gender and ethnic balance of the board as a key factor during its current recruitment process. It currently expects that it will meet the Parker Review target of having at least one director from an ethnic minority background next year. As such, we were happy to vote in favour of the Chair and will monitor the situation. |
| JPMorgan Global Core Real Assets | Re-elect Chris Russell as Director | ISS | For | ISS recommended a vote against the Chair of the nomination committee due to a lack of sufficient diversity. Mr Russell will retire next year and a recruitment process is underway. The annual report states that gender and ethnic diversity will be key elements of the search. As such, we were happy to vote in favour and will monitor the situation. |
| | Approve Continuation of Company as Investment Company | Both | Against | We did not support the continuation of the Trust, as it is relatively small and has traded at a discount to net asset value (NAV) over the past three years. In these circumstances, we could not foresee the Trust returning to growth and believe that winding it up and returning capital to shareholders is in the best interest of our clients. |
| Polar Capital Technology Trust | Re-elect Catherine Cripps as Director | ISS | For | We were happy to vote in favour of the Chair, against the recommendation of ISS based on a lack of diversity. We engaged with the board, and while it does not currently meet ethnic diversity requirements, we are satisfied that the steps it is taking show a commitment to achieving the required diversity on the board. |
| Sequoia Economic Infrastructure Income Fund | Re-elect James Stewart as Director | ISS | For | ISS recommended a vote against the members of the nomination committee due to a lack of sufficient ethnic diversity. We engaged with the Chair to clarify the situation. The Trust has been going through recruitment processes to replace the original four board members, which were ethnically diverse. This is being done with diversity as a key factor, alongside having the skills and experience needed. As of yet, the best candidates have not been from an ethnically diverse background, but we are satisfied with the efforts being made and have been reassured by the Board in their commitment so will continue to monitor the situation. |
| | Re-elect Timothy Drayson as Director | ISS | For | |
| | Re-elect Fiona Le Poidevin as Director | ISS | For | |
| Ashtead plc | Approval remuneration policy | ISS | For | We had extensive engagement with the company to discuss the rationale for the proposed changes, including the U.S.-based nature of the company, and the need to benchmark against U.S. peers. Taking the above into account, alongside the fact that our feedback on specific issues such as shareholding requirements was welcomed by Ashtead, we were comfortable supporting these resolutions. |
| | Amend long term incentive plan | ISS | For | |



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