

Q2 2023 - Voting report

Summary

The following summary includes votes cast on equity holdings in Developed (Brunel) Listed Infrastructure (Magellan) and Emerging Markets (Ninety One):

- We voted at **840** meetings on **13,176** separate resolutions.
- We only abstained on **216** resolutions (1.6%), showing that we exercised our rights to vote the vast majority of the time.
- We voted in favour of **9,827** resolutions (75%), we upheld our intention to be supportive of management to help them continue to run successful businesses, but also exert pressure on companies when it is needed.

Commentary and case studies

Most of Wiltshire's equities are held within global mandates managed by Brunel, with stewardship services provided by **Federated Hermes (EOS)**. The second quarter of the year is known as proxy season, this is when most company AGMs are held. Consequently, Board structure and Remuneration made up two thirds of resolutions where votes were cast against management.

EOS highlighted a particular example of concerns related to the approach to board diversity and excessive CEO pay at **Netflix, Inc.** Last year, some 73% of shareholders rejected the pay proposal at Netflix and we were disappointed that the company had not done more to address shareholder concerns this year. Against the backdrop of a Hollywood writers' strike, Netflix shareholders (including EOS) again withheld support for the sizable packages awarded to the content streamer's executives, voting against the resolution.

To pick up on another governance theme, we noted EOS have continued to apply pressure on North American companies with long-tenured auditors on the believe that independence, and potentially audit quality, are at risk when the same external audit provider has been maintained for too long. EOS's toughened stance this year for companies with external auditor relationships extending beyond a century led us to votes against the auditor and audit committee chair for a number of companies, including the pharmaceutical **Johnson & Johnson**, among others.

While this report is primarily focused on voting, EOS provided insight of engagement activity that can avoid the need to raise shareholder resolutions at a recent Responsible Investment Sub Group meeting (of pension fund officer clients of Brunel). For example, in 2022, EOS intensified their lobbying of **Mercedes Benz**, facilitating discussions between the company and an investor group planning to file a shareholder resolution in on setting sustainability targets in the supply chain, the company's support for the Paris Agreement and emissions reduction targets. This resulted in receiving written assurance from the company in that it would carry out a review of its associations' lobbying activities and publish this with its sustainability report annually as 'the Mercedes-Benz Group Climate Policy Report', from 2023.

Magellan manage a mandate of listed infrastructure, the number of stocks held is relatively small; this quarter there were 27 meetings and therefore this represents most voting activity for the year.

Magellan voted at the 2023 AGM for Vopak, a company which stores chemicals, oil and gas based in the Netherlands. Magellan have been engaging with the company on energy transition risks and alignment of executive pay to address these. Magellan were pleased to see the inclusion of new

long-term incentive payments for executives, aligned to specific GHG emission reduction targets and capital expenditure commitments to new energies development. These proposals were supported as they address a material ESG risk for Vopak.

As a member of LAPFF, Wiltshire Pension Fund receive voting alerts, including those for climate related lobbying and carbon emission target resolutions. One of these alerts was in respect of **Enbridge**, an energy company held by Magellan, regarding their disclosure of scope 3 emissions data. We shared the resolution recommendation with Magellan to inform their voting intentions. Magellan's own analysis of the company recommended voting against the proposal which differed from the LAPFF alert to support. Magellan highlighted how Enbridge are above their peers on reporting emissions data, and that the proponent of the vote may have missed disclosures that have already been made. On this basis, Magellan voted against both shareholder resolutions.

Ninety One voted at 58 meetings. There were abstentions on 41 of 713 resolutions (6%).

During quarterly meetings last year, we learned of Ninety One's engagement with **Vale**, the Brumadinho tailings dam collapse in 2019 that killed 272 people causing significant environmental damage to surrounding communities, and the company's progress in Brumadinho and reparations.

LAPFF recommended voting against resolutions on the Approval of the Financial Statements and Re-election to the Board of directors. We forwarded the alert to Ninety One, learning of the decision to vote in favour, and noted the manager comments as follows:

Ninety One's policy flagged risks that the financials "may be adjusted significantly in future periods, as new facts and circumstances become known". This is regarding estimates of costs surrounding the decommissioning of tailings dams following the Brumadinho incident. Vale has endeavoured to be transparent by sharing comprehensive expense estimates and disclosing their process and actions. Additionally, they hold an unqualified audit opinion from an independent auditor. As a result, Ninety One saw no reason to oppose their financials. The proposed Board member for re-election had been instrumental in reframing the audit and risk function and been an important part of overall governance improvement at Vale.

Finally, we asked Ninety One for some background on the process and factors considered for deciding on voting action to elect a number of directors at **Grupo Aeroportuario del Sureste SA de CV**. Ninety One provided their view that they should not vote against directors of a well-run business based on tenure that renders them non-independent. Ninety One consider what the directors bring to the business. For example, Fernando Chico Pardo, a de facto company founder and a majority shareholder had been key to its success. Rasmus Christiansen was a former Copenhagen Airport executive and has been instrumental in transferring operational expertise to ASUR since its founding. Ninety One also take into account overboarding if a director holds too many other appointments.

Conclusions

This report aims to highlight the stewardship activity being undertaken on our behalf across the Fund's equities portfolios. Voting and engagement is a key way for the Fund to protect its investments and to achieve its investment aims. Through engagement with our managers on their voting records, we have some assurance of the policies and oversight in place to manage voting activity in the context of wider stewardship as responsible asset owners.