

CORPORATE VOTE SUMMARY

1 July 2022 to 30 June 2023

Introduction

At Wesleyan, we believe corporate voting to be a vital aspect of our responsibility as active stewards of our customers' money, and we look to exercise our voting rights as investors at all opportunities.

Voting offers a way to exert positive influence on an investee company and help shape outcomes. Our in-depth analysis, company engagement, and experience in these matters influences how we vote.

We manually review all votes where we own a large portion of a company's shares, or where the company operates in a controversial sector (e.g. oil and gas, and mining). We also manually review all proposals that relate to matters considered to be unacceptably breaching best practice or that contain controversial content, such as large unjustified bonuses, or the re-election of a board member following an environmental or social incident. For those votes we do not manually review, we will instead delegate our decisions to our chosen shareholder services provider. They will place our votes in line with their sustainability policy, ensuring the impact on sustainability is always considered when voting on a proposal.

We vote at the vast majority of meetings we are able to; any meetings we do not vote at are predominantly due to the restrictions that would be applied to our shareholdings were we to choose to vote.

During the period, we noticed a continuation of a key theme carried through from the previous year: an increase in the number of proposals seeking to improve our rights as shareholders, such as our ability to call special meetings to hold management to account. We saw an increase in the number of environmental-related proposals where we voted contrary to the recommendation of management. These proposals often require a company to meet specific environmental requirements or improve their disclosure of key environmental metrics. We continue to support the re-election of the majority of non-executive directors, but we failed to support the re-election of a director in 1 in 20 cases - we typically use this to signal where we believe their oversight of the company was lacking, or where we would like to see change.

Our voting actions by theme

		1 July 2021 to 30 June 2022		1 July 2022 to 30 June 2023	
	Voting decision	Number of proposals	%	Number of proposals	%
Routine/operational	In line with management	10,993	97.9%	12,127	97.7%
	Contrary to management	136	1.2%	189	1.5%
	Total	11,129	99.1%	12,316	99.3%
Shareholder rights	In line with management	259	70.8%	495	87.1%
	Contrary to management	107	29.2%	66	11.6%
	Total	366	100.0%	561	98.8%
Compensation	In line with management	4,162	88.2%	5,346	90.1%
	Contrary to management	543	11.5%	546	9.2%
	Total	4,705	99.7%	5,892	99.3%
Director oversight	In line with management	14,989	94.6%	17,091	94.4%
	Contrary to management	762	4.8%	972	5.4%
	Total	15,751	99.4%	18,063	99.8%
Social	In line with management	748	69.4%	885	70.8%
	Contrary to management	330	30.6%	363	29.0%
	Total	1,078	100.0%	1,248	99.8%
Environment	In line with management	178	58.6%	160	50.6%
	Contrary to management	126	41.4%	156	49.4%
	Total	304	100.0%	316	100.0%
		33,333	99.4%	38,396	99.5%

As we did not vote at all proposals, some totals may not add up to 100%. Due to rounding, some themes do not sum to their totals.

Example voting activities

We believe all people should be treated fairly no matter their race, gender, sexuality, or other personal characteristics; and we also believe companies benefit from a diverse workforce. This is why Wesleyan has made 'equality and diversity' one of its engagement priorities. In recognition of this, in 2023, the Investments Team at Wesleyan won a Diversity Award at the Wealth & Asset Management Awards.

Global video game company

In recent years, it had come to light that there had been a number of allegations of harassment and discrimination at the video game company. Consequently, at the company's 2022 Annual General Meeting (AGM), our vote requiring the company to produce a report on the "Efforts to Prevent Abuse, Harassment, and Discrimination" contributed to the proposal achieving a majority shareholder support. As a result, the company published a Transparency Report on the subject, which also provided detail on the number of related cases, the result of each, and how these were handled. We also voted against the re-election of those board members who were with the company during the time of the alleged instances of harassment and discrimination, and who we felt should have provided stronger independent oversight.

We believe the publication of their Transparency Report was a step in the right direction and the associated policies introduced would provide greater support to affected colleagues and encourage those impacted to come forward. At their 2023 AGM, a shareholder proposal was introduced, calling for a “Report on the Prevention of Harassment and Discrimination in the Workplace”. This was similar to the proposal we supported last year, but required greater granularity, including the cost of settlements. We felt shareholders would benefit from the increased disclosure due to the ongoing scrutiny over the company’s harassment and discrimination cases. As such, we voted in favour of this item – we are still awaiting the result of this vote.

We will monitor the situation and continue to support relevant proposals, and if we feel insufficient progress is being made, we will escalate our concerns and engage directly with the company and/or divest.

We believe management remuneration should be appropriately structured to ensure the company is being run for the benefit of all stakeholders and that management are not overly remunerated.

UK specialist bank

We are a significant shareholder in this bank and have been for a number of years. Since 2019, we have engaged with the company on their approach to management remuneration. We felt the targets applied were not sufficiently stretching and that pay, and performance were not aligned. As such, we have voted against their remuneration report on a number of occasions and voiced our concerns to management.

In July 2022, we met with the RCC (Remuneration Committee Chair) to discuss their forthcoming Remuneration Policy, which sets out the company’s approach to executive remuneration that will be introduced at their subsequent AGM. We expressed general support for the policy and felt that our engagement with the RCC over the years had resulted in an improved approach. We also provided examples of how we felt the Remuneration Policy could be better structured but expressed general support for it and the changes being made.

In February 2023, we raised concerns with the RCC over their 2022 Remuneration Report, which specified the bonuses that management were set to receive for their performance in 2022. We stated that we found the performance evaluation of the non-financial metrics to be highly opaque, relying on unseen qualitative Remuneration Committee discretion. Having discussed these issues with the RCC, we felt the rationale provided was still insufficiently specific or measurable.

Consequently, at the company’s AGM later that month, we voted against the Remuneration Report. However, after our engagement over the past three years and the productive discussions with the RCC, we voted in favour of the new Remuneration Policy, and we hope this new version will help rectify the issues we’ve seen with previous Remuneration Reports.

We apply a number of exclusions to our investment portfolios (through our Sustainable Investing Policy) to ensure we do not invest in companies that are causing avoidable environmental and social harm. This includes encouraging companies to phase out the use of medically important antibiotics, such as penicillin, as their current use may be contributing to antimicrobial resistance.

Global fast-food chain

We are a small investor in a global fast-food company, but despite our small shareholding, we still feel we should be taking action to help the company reduce its environmental and social impact. The company does not directly own or manage livestock, but it is a globally relevant consumer and because of this, its actions can have significant influence.

At their 2023 AGM, the company faced multiple shareholder proposals on topics such as lobbying transparency, animal welfare, and antimicrobial resistance. We voted in favour of a number of these sustainability-related proposals, such as a report on animal welfare, as we believe it is important that the company can evidence claims of improving this to shareholders and customers alike.

We also supported a proposal requiring the company to comply with World Health Organisation (WHO) guidelines on antimicrobial use throughout their supply chains. We publicly declared our support and rationale for voting on this shareholder proposal via the United Nations sponsored Principles for Responsible Investment – an organisation we are signatories of. As the database is publicly viewable, our intention was to make other investors and the company aware of our rationale – this approach we felt would improve the likelihood of the proposal being carried and the company taking action.

Unfortunately, none of the shareholder proposals were passed on this occasion. However, there was significant shareholder support for a number of them, providing a clear signal to management – with a proposal calling for an annual report on lobbying activities achieving 49.75% support - despite abstentions being counted as against the proposal.

One of the proposals relating to antimicrobial use (that failed to meet the threshold to pass at the AGM), we felt was important enough for us to look at alternative avenues to encourage change. We have partnered with a number of other investors via the Farm Animal Investment Risk and Return (FAIRR) campaign against the use of antibiotics in the supply chain of global restaurant brands. In partnership with these investors, we wrote to the company in question, amongst others, asking for improved public disclosures and a clear policy on animal welfare in their supply chain. We are still awaiting a response from the company, but will continue to vote in favour of proposals we feel benefit all stakeholders.