

JULY 2023

General principles

7IM seeks to vote all shares in companies held actively and passively where voting rights are held. In so doing, 7IM considers the UK Corporate Governance Code and other international guidance on governance when voting, and we generally vote in line with management unless dissatisfied by a company's adherence to these governance codes or for other reasons.

7IM does not use an advisory service to recommend how to vote. Undertaking this activity using internal resources better reflects 7IM's governance views, rather than taking an external advisor's recommendation with which 7IM may disagree. There are relatively few direct holdings that need to be voted on, and voting research is better managed in-house.

For listed equity assets held directly in our centrally managed propositions, 7IM decides how to vote following discussion within the investment team on proposals. 7IM has relatively few direct equity holdings, so most of the voting on listed equities is done by managers of third-party funds we invest with. 7IM engages with managers, asking them to disclose their approach to stewardship and Environmental, Social, and Governance (ESG) as a company and for their funds, and to explain their voting policies. While 7IM cannot vote on these third-party funds, we can seek to influence how a fund will vote.

For third-party funds with voting rights, the house policy on voting is to vote based on materiality. We review the votes on funds where we either hold more than 20% of the fund's assets or the fund is a top 20 holding in absolute terms across all centrally-managed propositions, as at the end of the first quarter of the calendar year.

We review the votes for all investment trusts held across all centrally-managed propositions.

Our voting records are made available on the 7IM website annually. If a client wants to see specific votes, such as for an individual company or a fund, these are available upon request.

As a matter of principle, we believe that the issuance of new shares should not significantly dilute existing shareholder capital. When a company issues new shares without pre-emptive rights, we follow the principles recommended by the Financial Reporting Council's Pre-Emption Group (PEG). We will vote in favour of pre-emption rights issuances of up to 10% of issued ordinary share capital in one year. We may vote for up to 10% more of issued ordinary share capital provided that the company confirms and justifies that it intends to use this only in connection with an acquisition or a specified capital investment. We limit non-pre-emptive issuances of investment trusts and funds to 20%.

Procedure

The Stewardship specialist on the Investment Management team is designated to vote shares held in the funds through the Broadridge proxy voting platform, Proxy Edge, which is a service available for the funds held at Northern Trust. For funds held by HSBC, for which 7IM has discretion, the voting is managed through the ISS platform.

The Stewardship specialist receives notifications from Broadridge and ISS on upcoming votes.

Voting procedure:

- The Broadridge and ISS Proxy Voting service currently defaults to automatically vote in line with management on all company proposals. When a ballot is published on Proxy Edge or the ISS Proxy Service, the Stewardship specialist engages with the sector specialist. Any proposals not to vote in line with the default approach will be reviewed and require approval by the ESG Investment Committee.
- The main proposals voted against tend to be around executive compensation, removal of pre-emption rights and reduction of notice periods of meetings.
- Other proposals that merit attention are shareholder proposals around, for instance, independence of the company chair, climate change, greenhouse gas emissions and diversity and inclusion.
- If the Investment Management team chooses to override the management recommendation, then the action is noted and a reason for the vote is written up by the sector manager or a member of the ESG Investment Committee. 7IM prioritises votes where 7IM holds a significant number of shares in the company or where the holding is viewed as substantial, as outlined above.
- In some cases, the shares held in funds may not be available for voting. This is because some shares can only be voted on when a power of attorney is in place and the ESG Investment Committee makes an assessment on whether the cost implications of putting such a POA in place are merited. If it is considered this will not be in the best interests of the shareholders, the shares are not voted.
- In other cases, the shares may have been lent, in which case they are not available for voting. If the Investment Management team wish to vote on proposals in such a situation, it will be necessary to get the shares back in time for the vote. There is a procedure in place whereby one share is retained by the Depository, in order to remain informed of forthcoming votes and to be able to call back the shares in time to vote. Please note that 7IM's stock lending activity is currently suspended.
- Voting activity and the reasons for voting are disclosed in the annual 7IM Stewardship report.