



# Multi-Asset Solutions Proxy Voting

January 2021



## INTRODUCTION

In this note we summarise the rationale and key changes behind our recent review of our approach to proxy voting. Our updated approach involves a greater level of engagement, particularly around contentious meetings and climate change proposals. Our actions will be based on widely accepted and enhanced environmental, social and governance (ESG) practices.

## RATIONALE

We understand and are committed to our stewardship responsibilities; which includes acting in the best interests of clients through exercising proxy voting rights.

Given the systematic nature of our investment process and our top-down investment process we do not directly meet with company management. Proxy voting is an important responsibility of being an equity holder and a medium for us to communicate the importance of considering ESG risks to the companies we invest in on our clients' behalf. We believe that improving governance will benefit our clients over time.

On reviewing different policy options, we concluded that our proxy voting research provider, Glass Lewis' enhanced ESG policy promotes higher standards of corporate governance and better aligns with our clients' interests than the standard policy.

Relative to the Glass Lewis General Policy, the ESG guidelines include an additional level of analysis to vote consistently with widely-accepted enhanced environmental, social and governance practices. The ESG guidelines are designed for seeking enhanced investment return but with a focus on disclosing and mitigating company risk regarding ESG issues.

We also recognise the need to enhance our proxy voting by introducing an additional level of review for certain meetings which may (or may not) result in a change in the proxy vote.

## KEY CHANGES TO THE POLICY

We have adopted Glass Lewis' enhanced ESG policy in regards to our proxy voting. The key changes to the existing policy include:

**Board diversity:** i) vote against the male members of the nominating committee in instances where the board is comprised of fewer than 30% female directors for large-cap companies, or ii) against the nominating committee when there is not at least one woman on the board at mid- and small-cap companies.

**Tenure:** Vote against members of the nominating committee in the event that the board has an average tenure of over ten years and the board has not appointed a new nominee to the board in at least five years.

**Shareholder proposals:** Support governance related, environmental and social shareholder proposals aimed at enhancing a company's policies and performance or increasing a company's disclosures with respect to these issues.

**Auditor ratification:** Vote against auditor ratification proposals in instances where the company's auditor has not been changed for 20 or more years.

## PEER REVIEW PROCESS

To complement Glass Lewis' enhanced ESG policy in the case of for contentious meetings (including but not limited to climate change proposals) the FSI ESG Committee shall provide additional oversight. Contentious meetings are identified and reviewed using input from leading proxy voting advisors such as Glass Lewis, ESG research from providers such as Sustainalytics and MSCI, the First Sentier internal Responsible Investment team and active teams in First Sentier, and other sources as appropriate.

The following issues may indicate that a meeting is contentious:

- Re-election of a Director subject to recent scandal / media interest.
- Re-election of a Director subject to significant protest vote at recent other meetings.
- Media report of activist shareholders / major shareholders publicly announcing protest votes.
- Shareholder resolution / non-management sponsored resolution on ballot.
- Known controversy at company.
- Significant market disappointments, such as: large guidance downgrades, and surprise write-downs.

Where the ESG Committee identifies a contentious issue, relevant members of the ESG Committee shall meet to discuss the issue, and a weekly report will be sent out to the investment teams for consideration and guidance. The Responsible Investment Representative from the Multi-Asset Solutions team will report back to the team's portfolio managers to make a final voting recommendation.

## REVIEW

Glass Lewis evaluates the ESG guidelines on an ongoing basis and formally updates them on an annual basis. For 2019, there were no material changes to the ESG guidelines.

## CONCLUSIONS

The new policy enhances our existing process and sets a clear expectation that the companies we invest in are governed in ways that enhance their performance over the long term. In addition, the policy will add to growing investor demand for improved company disclosure relating to environmental and social risks and opportunities. We believe that investors making clear their expectations for higher standards in these areas will lead to more transparent, sustainable and better markets overall.

## FOR MORE INFORMATION

You can find more information on how the Multi-Asset Solutions team have voted our proxies [here](#). More information on the First Sentier Responsible Investment policies can be found [here](#).

## DISCLAIMER

*The principles set out in this policy are subject to a restriction in relation to Morgan Stanley securities, which prevents First Sentier Investors from exercising any discretionary authority to vote attached to a Morgan Stanley security which forms part of investment portfolios that it manages in a fiduciary capacity. The purpose of this restriction is to enable portfolios managed by First Sentier Investors to hold Morgan Stanley securities in a manner that complies with the Bank Holding Company Act of 1956 (US).*