

Voting Matters 2022

Charity Spotlight Report



About CRIN & RINU

This report was produced for the Charities Responsible Investment Network (CRIN) and Responsible Investment Network – Universities (RINU). CRIN and RINU support investors in the charity and higher education sectors to further their work through responsible investment. They support members to achieve positive, cost-effective change by fostering a community of practitioners; providing bespoke research to develop skills and knowledge as responsible investors; and engaging with investee companies, investment managers and policymakers on a range of environmental, social and governance issues. The secretariat for both networks is provided by ShareAction. Visit shareaction.org or contact rin@shareaction.org to find out more.

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Introduction and summary



Introduction and summary

We are at a pivotal moment. Unprecedented high temperatures and lengthy droughts have occurred worldwide. Biodiversity continues to decline at a catastrophic rate. Social inequalities are even more marked in the wake of the Covid-19 pandemic. The global investment system has an oversized impact on many of these global challenges.

We must address these issues at scale. The asset management sector – holding more than USD \$103 trillion of the world's wealthⁱ – is critical to achieve this. This wealth is invested in many of the world's leading companies giving asset managers significant influence over company practices. How asset managers choose to vote on company resolutions each year can determine the future of our planet.

In ShareAction's 2022 edition of the Voting Matters series¹, they examine how 68 of the world's largest asset managers voted across 252 environmental, social and governance (ESG) resolutions in the 2022 AGM season. ShareAction's report extends this analysis to a sub-set of 10 of the asset managers most frequently used by UK charities (hereafter 'charity asset managers'). For each manager, we analysed the percentage of ESG resolutions they voted 'for' at company AGMs. Detail on the methodology for this report is provided in Appendix 1.

This report has been produced for the Charities Responsible Investment Network (CRIN) and Responsible Investment Network – Universities (RINU), which support investors in the charity and higher education sectors to further their work through responsible investment. This report was written by the secretariat. For more information, email rin@shareaction.org.

Key findings

- **Charity asset managers did not perform better than the world's largest asset managers for environmental and social votes.** The median percentage of 'for' votes for the asset managers in this report was 56%, compared to a median of 69% for the sample of 68 of the world's largest asset managers in ShareAction's full report, Voting Matters 2022.
- **Action-oriented resolutions received fewer 'for' votes than disclosure-oriented resolutions.** Nine of the 10 asset managers voted 'for' more resolutions asking the company to disclose information than resolutions which request companies to adopt policies and set targets.

¹ See the full Voting Matters 2022 report at <https://shareaction.org/reports/voting-matters-2022>

- **Charity asset managers voted more conservatively on average than ISS – one of the most prominent proxy advisers – recommended.** Two proxy advisers – Glass Lewis and ISS – currently dominate the market for providing proxy voting advice to investors. While the majority of charity asset managers in this sample voted more ambitiously than recommended by Glass Lewis, only two voted ‘for’ more resolutions in this sample than recommended by ISS.
- **Abstentions and ‘did not vote’ (DNV) decisions were used heavily by three asset managers, but very infrequently by the others in this sample.** This raises questions about whether some asset managers are making the most of their right to vote on ESG resolutions.

Recommendations



Recommendations

The findings of this report are relevant to all asset managers (those covered as well as those not featured in this report) for assessing their own voting performance and identifying areas for improvement.

Recommendations for asset managers

We recommend that asset managers:

- 1 Use this analysis to assess where their voting performance** is more conservative than peers and how they may be able to improve to meet clients' expectations.
- 2 Develop, strengthen and regularly update voting policies** that explicitly cover material environmental, social and governance (ESG) themes and that are designed to appropriately mitigate impacts on people and planet.
- 3 Explicitly commit to support shareholder resolutions that help resolve environmental and social problems by default** and provide a public explanation whenever this commitment is not met (i.e. 'comply or explain'). This enables asset managers to identify ESG shareholder resolutions that do not try to resolve environmental and social problems, and to ensure their votes benefit people and planet.
- 4 Improve transparency on proxy voting** by publishing voting policies, voting records, and voting rationales in a manner that is timely and user-friendly (Box 1).
- 5 Commit to voting at all AGMs**, regardless of geography or the level of holdings.
- 6 Pre-declare voting intentions** for important and/or contentious ESG resolutions to encourage others to vote and to increase understanding of the issues at hand.
- 7 Disclose data on follow-up engagement** for all instances where they have opposed management on environmental and social resolutions.
- 8 Escalate at companies failing to make sufficient progress on ESG issues**, using tools such as co-filing resolutions, voting against directors and reducing investment.
- 9 Engage with filers to optimise resolution wording** where the asset manager is sympathetic to the aim but considers its phrasing problematic.



Box 1: Important elements of transparent and user-friendly voting disclosure

- Voting records on all resolutions are disclosed as soon as possible after meetings, or at least monthly
- Voting records are available in a digital format that can be easily downloaded and processed
- Voting records are disclosed in a format that is easy to search and filter
- Summary statistics of voting data are published with important and/or contentious votes highlighted
- Rationales for all votes against and abstentions on shareholder resolutions and standing items are published

Recommendations for asset owners

As clients, asset owners can monitor the engagement activities and proxy voting records of their asset managers and push them to improve their responsible investment practices.

We recommend that asset owners:

- 1 Use this research to inform their selection, monitoring and review of asset managers.** This can involve, for example, reviewing their asset manager's voting decisions as part of regular performance reviews, or integrating key asks (such as the publication of voting records) into tendering processes. If the asset manager invests in **third-party funds**, asset owners can ask what measures they have in place to monitor and/or direct voting by these third party funds.
- 2 Ask their asset manager to publish voting records** if they do not already do so. Transparency on voting behaviour is critical for accountability.
- 3 Seek opportunities to engage collaboratively with other asset owners** who share their asset manager. When multiple clients engage an asset manager on a specific topic, it can enhance effectiveness by demonstrating the strength of feeling among their clients.

For further resources on how to make best use of voting records, or for more information on the Charities Responsible Investment Network (CRIN) and Responsible Investment Network – Universities (RINU), please get in touch with the secretariat at rin@shareaction.org

Overall scoring



Overall scoring

The overall score for each of the asset managers used frequently by UK charities (hereafter 'charity asset managers') included in this sample is provided in the table below.

When calculating the percentage of votes 'for', only votes in favour were counted. Votes 'against', abstentions and Did Not Vote (DNV) were treated equally. Split votes were counted as votes in favour only when it could be established that over 75% of the assets managed by the asset manager in question had voted in favour of the resolution.

A voting breakdown for each asset manager is also provided below. 'No data' indicates that data were not available from the data provider at the point of analysis. Detail on the methodology for this report is provided in Appendix 1.

Only votes for direct holdings have been included in this report. Some asset managers may also invest in third-party funds, for which the outsourced fund manager retains control over voting. We encourage asset owners to ask their asset manager whether they use such funds, and if so, what processes they have in place to monitor and influence voting on ESG resolutions by third-party fund managers.

It is important to note that voting is not the only aspect of effective stewardship (albeit an important one). We encourage asset owners to review voting performance as part of a wider holistic assessment of their asset manager's environmental and social performance. This includes considering practices such as the prompt and public disclosure of voting records; transparent and in-depth stewardship reporting; and a clear engagement and escalation strategy.

Table 1: Overall score for charity asset managers (listed alphabetically)

Asset Manager	Overall	Environment	Social	Pay and politics	Voting sample breakdown (%) ²
Brewin Dolphin	55	45	57	63	
Cazenove ³	83	64	91	89	
CCLA	98	100	95	100	
Evelyn Partners	49	38	53	56	
Investec Wealth & Investment (UK)	22	17	24	25	
Newton Investment Management ⁴	64	66	58	76	
Quilter Cheviot	57	54	52	75	
Rathbones Group	55	53	57	53	
Ruffer LLP	25	17	24	50	
Sarasin & Partners	65	67	60	77	

● For
 ● Against
 ● Abstain / DNV
 ● No Holdings
 ● No Data
 ● Split

2 A full voting breakdown, including data on each manager's relevant level of holdings, can be found in "– Appendix 2: Summary data table" on page 3

3 Please see the main Voting Matters 2022 report at: <https://shareaction.org/reports/voting-matters-2022>

4 Newton Investment Management is the only asset manager included in both this report and ShareAction's Voting Matters 2022 report. In the latter, they were ranked 40th of 68 asset managers.

Data availability

Data for this study were provided by a data aggregation service (see appendix 1 for details).

Publishing voting records is a critical mechanism for accountability. However, not all asset managers publish records of their proxy voting activity regularly or in the public domain.

Voting records should be published in full on a regular basis; in a user-friendly and accessible way; and include all relevant details about the vote decision, including rationales for decisions for key votes.

Below, we provide examples of leading practice in relation to the publication of proxy voting records.



Box 2: leading practice in voting disclosures

Leading practice: providing machine-readable voting records

Sarasin & Partners publishes voting records in two formats: i) quarterly voting records in PDF format which highlight significant votes; and ii) a Microsoft Excel spreadsheet of all voting decisions and rationales.⁵ These are published on a webpage accessible to all website visitors and accompanied by Sarasin's voting policy documents. The spreadsheet provides data in a machine-readable format.

Leading practice: user-friendly voting disclosure portal

Rathbones Group lists all voting decisions in an automated, searchable portal which is available to all users on their website.⁶ The portal displays aggregate statistics for the Group's voting behaviour (such as extent of alignment with management, votes by category, and overall voting statistics), which can be filtered by meeting date and company. In addition, users can search by individual companies to view item-level vote decisions. The portal is updated on a daily basis.

5 Available at: <https://sarasinandpartners.com/stewardship/how-we-vote-for-you/>

6 Available at: <https://www.rathbones.com/about-us/investment-approach/responsible-investment/vote-disclosure>

Key Findings



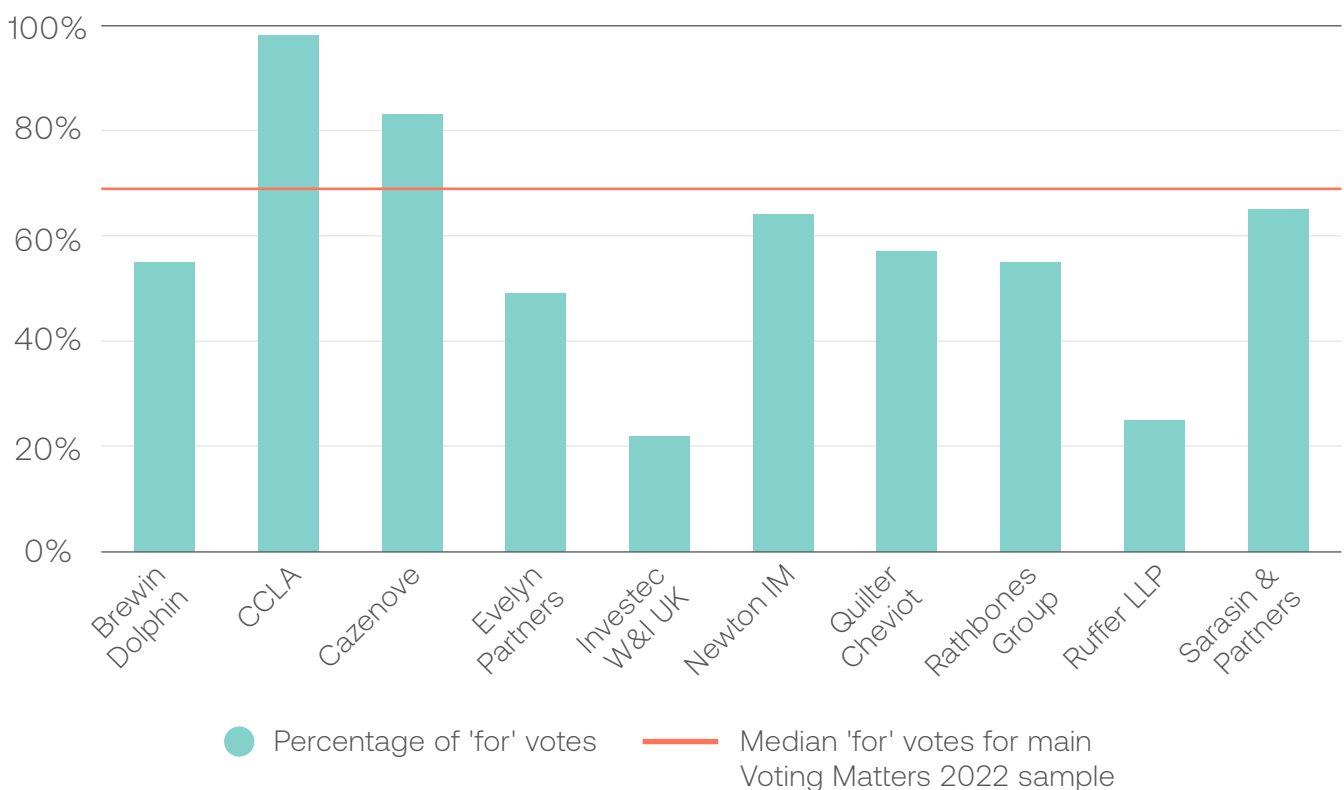
Key findings

Finding 1: Charity asset managers did not perform better than the world's largest asset managers for environmental and social votes

Charity asset managers voted 'for' fewer resolutions on average than the comparison sample of the world's largest asset managers as featured in ShareAction's Voting Matters 2022 report.⁷ While the range of scores between this sample of charity asset managers and the main Voting Matters 2022 sample was similar, the average score for charity asset managers was slightly lower: the mean percentage of 'for' votes for charity asset managers in this report was 57% (with a median of 56%) compared to a mean of 65% (and median of 69%) for the 68 asset managers in the main Voting Matters report sample.

Only two asset managers in this sample – CCLA and Cazenove – had a higher 'for' percentage than the median asset manager in the main Voting Matters report sample (Figure 1). The highest voting performance in the main sample was 100% 'for' votes (by both Impax Asset Management and Achmea Investment Management), and the lowest was 3% (Walter Scott and Partners).

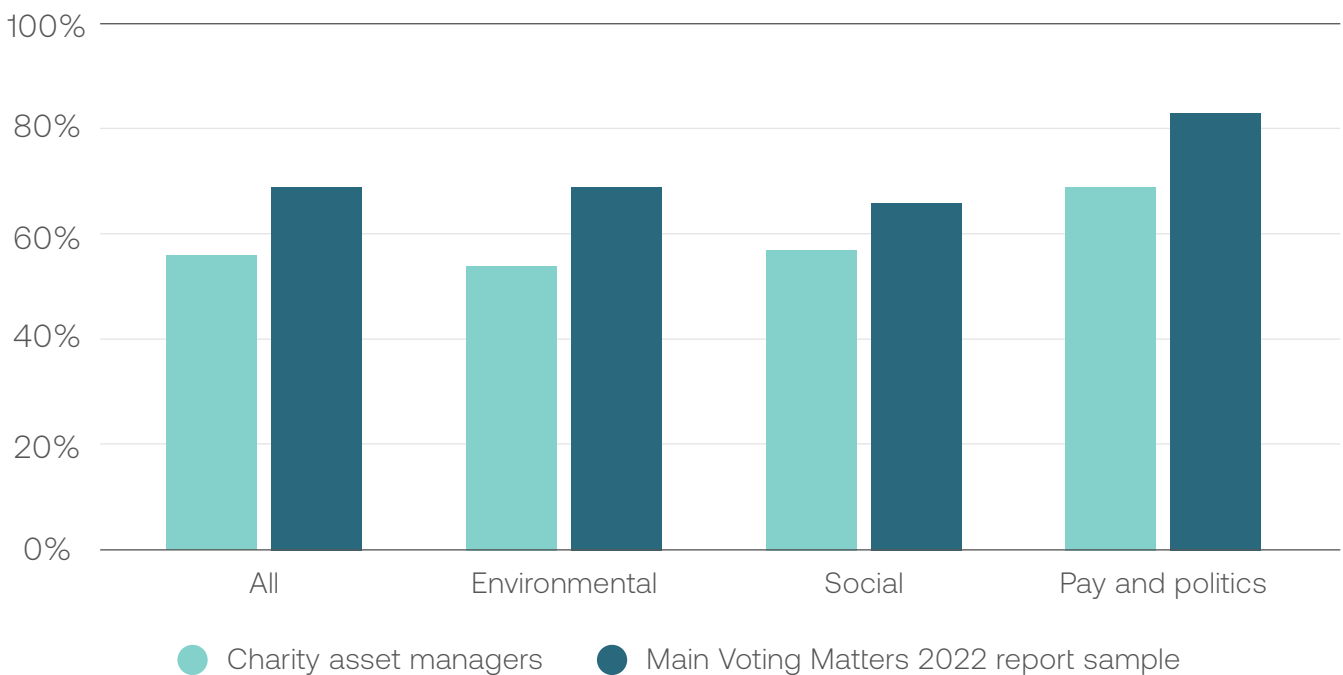
Figure 1: Percentage of 'for' votes



⁷ See the full Voting Matters 2022 ranking at <https://shareaction.org/reports/voting-matters-2022>

This pattern was also apparent when analysing votes across the three sub-categories of environment, social and 'pay and politics' (which covered resolutions about environmental and social aspects of pay disparities, metrics and political contributions, spending and policy). For all resolution categories the sub-set of managers in this charity report voted 'for' fewer resolutions on average than the main Voting Matters report sample (Figure 2).

Figure 2: Median percentage of 'for' votes across resolution categories



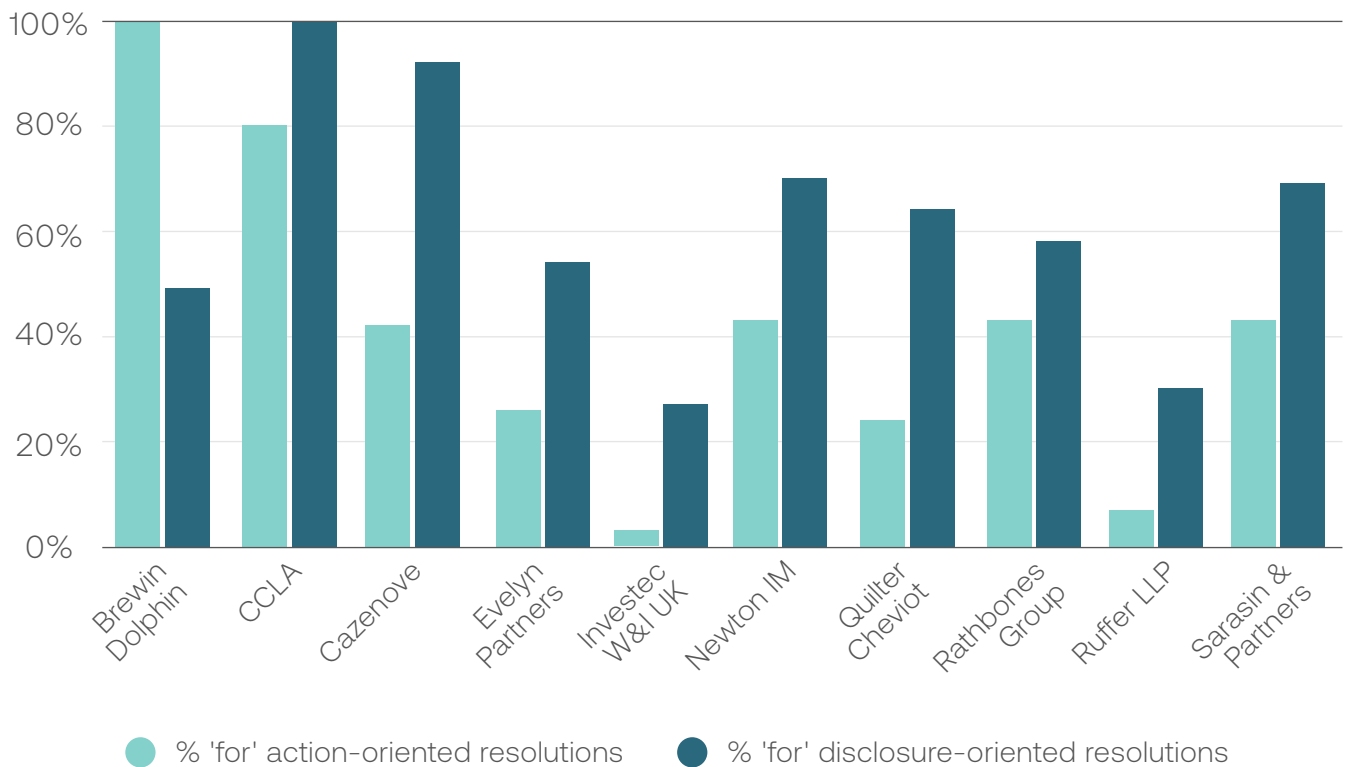
Finding 2: Charity asset managers voted in favour of fewer action-oriented resolutions than disclosure-oriented resolutions

Resolutions sampled for this report were coded as either action-oriented or disclosure-oriented. Disclosure-oriented resolutions requested a company to report information related to a social or environmental issue. Action-oriented resolutions requested a company to adopt a policy, set targets or undertake some action beyond reporting information.

This is an important distinction as, although transparency is critical, action-oriented resolutions are more ambitious and likely to result in real-world change in the near term. Only one manager, Brewin Dolphin, voted 'for' more action-oriented resolutions over disclosure-oriented ones (Figure 3). (However, data for only 5 action-oriented resolutions were available for Brewin Dolphin.)

Overall, the mean percentage of support 'for' action resolutions among this sample of charity asset managers was 41% (median of 42%), compared to a mean of 61% (median of 61%) for disclosure-oriented resolutions. The difference between 'for' votes for action and those for disclosure ranged from 16 percentage points (Rathbones Group) to 51 percentage points (Cazenove).

Figure 3: Percentage of 'for' votes for action vs disclosure-focused resolutions



This distinction was similar to the main Voting Matters report sample, in which the mean percentage of 'for' votes for asset managers was 54% for action-oriented resolutions, and 65% for disclosure-oriented resolutions.

Finding 3: Charity asset managers voted more conservatively on average than one of the most prominent proxy advisors recommended

Some asset managers invest in large numbers of companies – into the hundreds or thousands. These asset managers may therefore be eligible to vote on thousands of resolutions each AGM season. To support them in these decisions, many asset managers use the services of proxy voting advisers.⁸

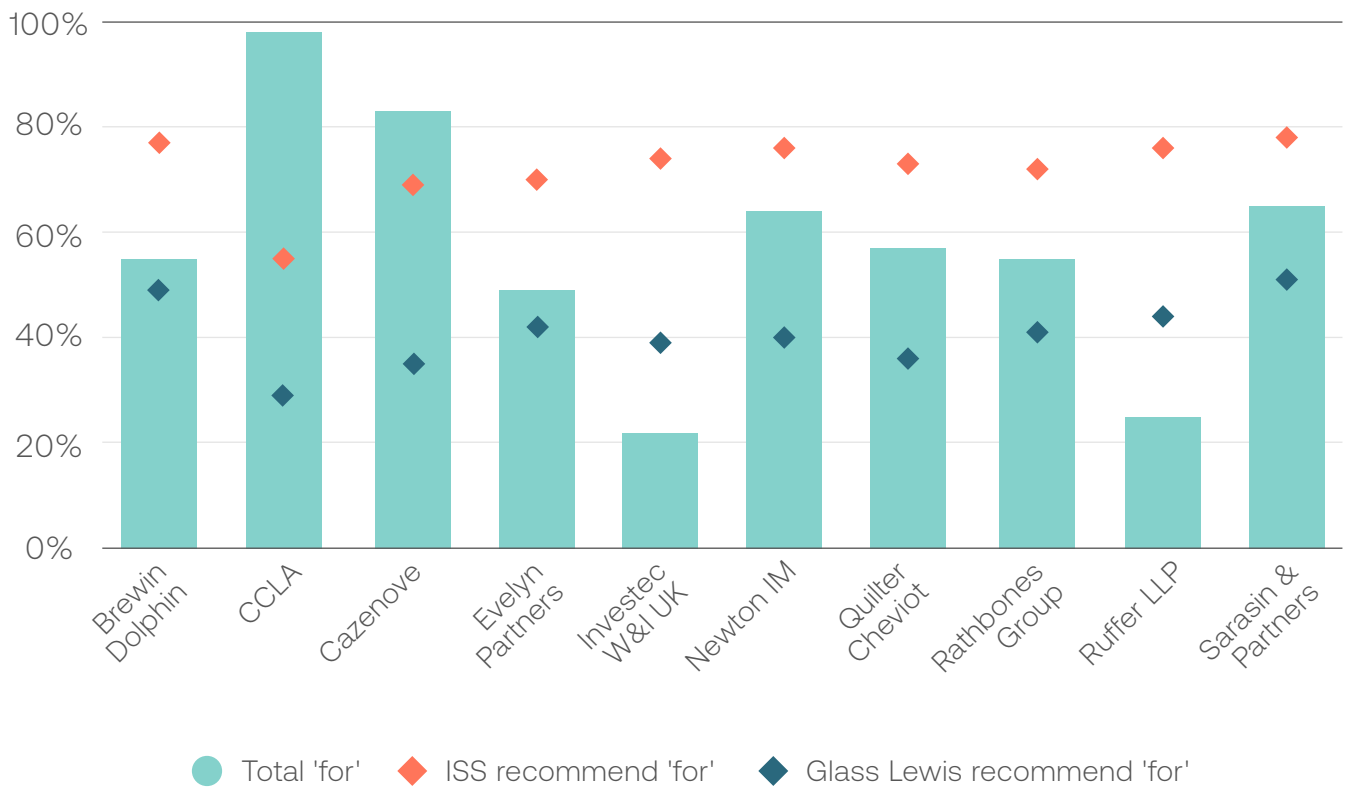
Proxy advisors are for-profit firms who, among other proxy voting services, provide recommendations to institutional investors on how to vote at shareholder meetings on issues such as climate change, executive pay and board composition.

⁸ Sample size: 187 eligible resolutions (ISS) and 195 (Glass Lewis). For more information on proxy advisers, see the 2019 CRIN brief *Another Link in the Chain: Uncovering the Role of Proxy Advisors*. Available at: <https://api.shareaction.org/resources/reports/Another-Link-in-the-Chain-Uncovering-the-Role-of-Proxy-Advisors.pdf>

Two proxy advisory firms currently dominate the proxy voting market: Institutional Shareholder Services ('ISS') and Glass, Lewis & Co. ('Glass Lewis'). Across the sample of environmental, social and 'pay and politics' resolutions in this study, ISS recommended a 'for' vote 75% of the time, while Glass Lewis recommended a 'for' vote 42% of the time.

While the majority of charity asset managers in this sample voted more ambitiously than recommended by Glass Lewis, only two – CCLA and Cazenove – voted 'for' more resolutions in this sample than recommended by ISS (Figure 4).⁹

Figure 4: Percentage of 'for' voting recommendations by ISS and Glass Lewis (adjusted for each asset managers' specific holdings)



While it is important that asset managers do not uncritically follow proxy adviser recommendations, it is notable that a large proportion of the sample are failing to support shareholder resolutions more frequently than the firms who specialise in evaluating resolutions are recommending.

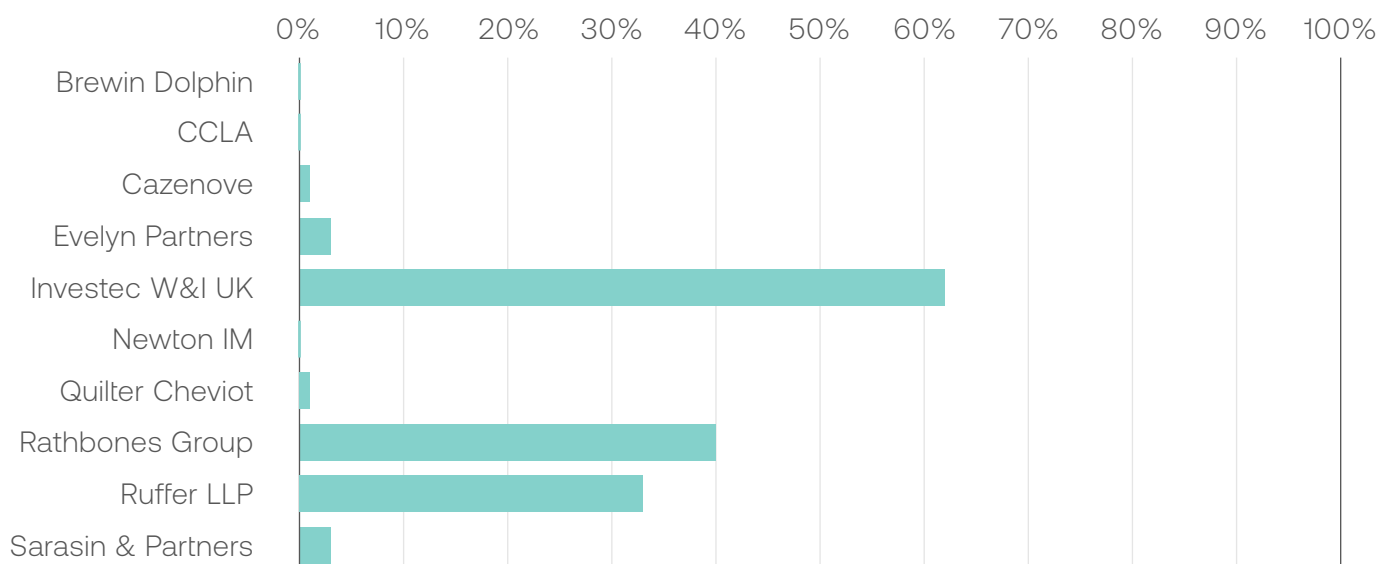
⁹ Asset managers in this sample may not necessarily employ the services of ISS or Glass Lewis.

Finding 4: Some asset managers choose not to make use of a significant proportion of their AGM votes

In addition to voting ‘for’ or ‘against’ a resolution, an asset manager may choose to abstain from the vote. In addition, asset managers may choose not to cast a vote even if they are eligible to do so (‘did not vote’, or DNV).

The majority of charity asset managers cast a vote ‘for’ or ‘against’ the vast majority of resolutions for which they were eligible to do so (Figure 5). Only one asset manager in this sample – Ruffer LLP – chose to ‘abstain’ from a vote, and in one instance only. Three asset managers however – Investec Wealth & Investment (UK), Rathbones Group, and Ruffer LLP – chose not to cast a vote (DNV) for a significant proportion of their holdings.

Figure 5: DNVs as a percentage of total voting decisions



This trend is similar to the main Voting Matters report sample: of 68 asset managers in that report who voted on our sample of environmental, social and governance resolutions, only 10 used an abstention or DNV more than 10% of the time. Only two asset managers of 68 did this for over 40% of their eligible votes.

In some cases, DNVs may be used for AGMs in which there are local conditions on voting (for example, in relation to plans to trade shares or a set period of time post-purchase before investors are eligible to vote), although this typically applies only to a small percentage of holdings. In others, high rates of DNVs can be the result of asset managers choosing to set a threshold for which they only utilise their votes for holdings above a certain level. However, even with limited holdings, voting can send a strong signal to companies and to market peers about investor interest in, and commitment to, environmental and social progress. As demonstrated above, both some of the smaller, boutique asset managers (as represented in this sample of charity asset managers), and some of the largest asset managers in the world (as evident in the main Voting Matters report sample) routinely vote on all holdings.

Case Studies



Case study 1: PepsiCo

Ask: Report on Global Public Policy and Political Influence Outside of the United States

Resolution number: 5

AGM date: 04 May 2022

Result: 17.6% **FOR** / 82.4% **AGAINST**

PepsiCo is a multinational food and drink company headquartered in the USA. PepsiCo is known for the Pepsi drinks brand, as well as numerous other well-known food brands such as Tropicana and Quaker Oats.

In 2022, shareholders filed a resolution requesting an annual transparency report on the company's global public policy and political influence outside the United States. The resolution included disclosing company expenditures and in-kind support to candidates, electioneering, lobbying, scientific advocacy, and charitable donations for the preceding year.ⁱⁱ

In the supporting statement, an example was given of previous PepsiCo support for a trade association in Mexico that lobbied to postpone food labelling regulations. The statement also noted that PepsiCo scored low with regard to disclosures of international political activity on a recent transparency index.

In its comment, PepsiCo management referred to plans to publish any future international political donations on the company website; that the company complies with 'all national transparency rules around reporting contributions to trade associations in the U.S. and internationally'; and that the company 'adheres to robust principles on transparency in sponsoring any scientific research'.ⁱⁱⁱ

Rationales provided by asset managers who voted 'for' the resolution focused on the value of providing more transparency in this area, some rationales for votes against included that the proposal was 'overly prescriptive' and that it was not 'standard industry practice' to do this at this time.

How asset managers voted	
Brewin Dolphin	FOR
CCLA	FOR
Cazenove	FOR
Evelyn Partners	AGAINST
Investec W&I UK	AGAINST
Newton IM	AGAINST
Quilter Cheviot	AGAINST
Rathbones Group	FOR
Ruffer LLP	NO HOLDINGS
Sarasin & Partners	NO DATA

Case study 2: ExxonMobil

Ask: Report on Low Carbon Business Planning

Resolution number: 7

AGM date: 25 May 2022

Result: 10.5% **FOR** / 89.5% **AGAINST**

ExxonMobil is a multinational oil and gas corporation headquartered in the USA. ExxonMobil has been accused of funding ‘carbon bombs’ incompatible with limiting temperature rise to 1.5C by continuing to invest significant capital in oil and gas expansion. A recent analysis assessed that 56% of ExxonMobil’s projected investments are incompatible with restraining global heating to 1.65C.^{iv}

A shareholder resolution at the 2022 AGM sought to require the company to issue a report describing ‘how the company could alter its business model to yield profits within the limits of a 1.5 degree Celsius global temperature rise by substantially reducing its dependence on fossil fuels’.^v

The filers noted that a report could include a roadmap to set out a plan to reduce dependence on fossil fuels and increase sustainable assets, such as merging or acquiring renewable energy companies.

In its comment, ExxonMobil management argued that the information was already included in various company reports and publications.^{vi}

Rationales provided by asset managers who voted ‘for’ the resolution focused on the value of providing more transparency in this area, some rationales for votes against included that the proposal was ‘overly prescriptive’.

How asset managers voted	
Brewin Dolphin	NO DATA
CCLA	NO HOLDINGS
Cazenove	FOR
Evelyn Partners	AGAINST
Investec W&I UK	DID NOT VOTE
Newton IM	FOR
Quilter Cheviot	AGAINST
Rathbones Group	FOR
Ruffer LLP	AGAINST
Sarasin & Partners	AGAINST

Case study 3: Amazon

Ask: Report on Worker Health and Safety Disparities

Resolution number: 9

AGM date: 25 May 2022

Result: 13.2% **FOR** / 86.8% **AGAINST**

Amazon is one of the largest e-commerce and computing platforms in the world, with gross profits in the 12 months to September 2022 estimated at over USD \$216 billion.^{vii} It has come under intense scrutiny for alleged high rates of worker injury arising from working practices.^{viii}

A shareholder resolution at the 2022 AGM sought to require the company to ‘issue a report... examining whether Amazon’s health and safety practices give rise to any racial and gender disparities in workplace injury rates among its warehouse workers and the impact of any such disparities on the long-term earnings and career advancement potential of female and minority warehouse workers.’^{ix} The supporting statement noted some evidence of higher rates of workplace injury among racialised and ethnic minority groups.

In its response advising shareholders to vote against the proposal, Amazon’s management highlighted existing data on workforce injuries that it discloses and that they have committed to publicly releasing the results of an upcoming racial equity audit.^x

Rationales provided by asset managers who voted ‘for’ the resolution noted that a report which analysed the intersection between worker health and safety and minority status may help to uncover systemic issues and uncover any indirect discrimination. Some rationales for votes against included that the proposal was ‘broad in scope’ and such disclosures were ‘not standard industry practice’.

How asset managers voted	
Brewin Dolphin	AGAINST
CCLA	FOR
Cazenove	FOR
Evelyn Partners	AGAINST
Investec W&I UK	AGAINST
Newton IM	AGAINST
Quilter Cheviot	AGAINST
Rathbones Group	FOR
Ruffer LLP	NO HOLDINGS
Sarasin & Partners	AGAINST

Appendices



Appendix 1: Methodology

This report analyses how charity asset managers (those used most frequently by UK charities) voted on a sample of 252 AGM shareholder resolutions in 2022 across across the environmental, social and governance spheres.

Sampling

Asset managers sampled for this assessment met one of the following criteria:

- They featured in the top 10 charity asset managers by funds under management ranked by Charity Finance (November 2021)^{xi} or
- They featured in the top 10 asset managers by number of clients as ranked by Charity Financials Investment Spotlight (January 2021)^{xii}.

This resulted in a list of 12 asset managers. Of these, three asset managers (Blackrock, Legal and General Investment Management, and Newton Investment Management) also featured in the main Voting Matters 2022 report. Blackrock and Legal and General Investment Management were excluded from this sub-sample (a rank for these asset managers can be found in the main report). Newton Investment Management was included in the sample for both reports due to the prominence among UK charities and interest to members of the Charities Responsible Investment Network (CRIN) and Responsible Investment Network – Universities (RINU). This resulted in a final sample of 10 asset managers.

Resolutions were sampled from several sources to compile a 'longlist' of potential resolutions. From this list, we removed resolutions that were poorly written and/or filed by groups linked to corporate lobbying campaigns. We also removed resolutions where there was not accessible information on the filer and wording. Before excluding these resolutions, we read through them to understand the full breadth of issues being raised to inform our analysis and discussion. This resulted in a final list of 252 resolutions, which we were confident would improve the social and/or environmental impact of companies, or provide decision-useful disclosure for investors. Therefore, the resolutions included in this analysis are ones we believe asset managers should vote for.

Data analysis

Proxy voting data were provided by Insightia (www.insightia.com). Asset managers were given an opportunity to verify the proxy voting data prior to analysis. All asset managers but two (Brewin Dolphin and Sarasin & Partners) verified the data. For these two asset managers, where data for a vote were unavailable as a result, the resolutions in question were excluded.

The final number of resolutions analysed for each asset manager were:

- Brewin Dolphin: 40
- CCLA: 40
- Cazenove: 129
- Evelyn Partners: 101
- Investec W&I: 181
- Newton Investment Management: 215
- Quilter Cheviot: 115
- Rathbones Group: 197
- Ruffer LLP: 64
- Sarasin & Partners: 88

When calculating the percentage of votes ‘for’, only votes in favour were counted. Votes ‘against’, abstentions and Did Not Vote (DNV) were treated equally. Split votes (numbering 5 across the sample) were counted as votes in favour only when it could be established that over 75% of the assets managed by the asset manager in question had voted in favour of the resolution. As this was not the case, all 5 of these votes were coded as ‘Against’.

No holdings threshold was applied, meaning the number of shares an asset manager holds in a company was treated equally for the purpose of this analysis. In cases where the asset manager did not have holdings in a company, the resolutions were excluded from the calculations for that asset manager's score.

A full description of methods and list of resolutions is available in the main Voting Matters 2022 report.¹⁰

¹⁰ See the full Voting Matters 2022 ranking at <https://shareaction.org/reports/voting-matters-2022>

Appendix 2: Summary data table

Asset manager	For	Against	Abstain/DNV	No holdings	No data
Brewin Dolphin	22	18	-	-	212
CCLA	39	1	-	210	2
Cazenove	107	21	1	123	-
Evelyn Partners	49	49	3	151	-
Investec W&I UK	40	28	113	71	-
Newton IM	138	77	-	37	-
Quilter Cheviot	65	49	1	137	-
Rathbones Group	108	10	79	55	-
Ruffer LLP	16	26	22	188	-
Sarasin & Partners	57	28	3	2	162

Split votes were recoded as 'for' or 'against' in line with the methodology in Appendix 1

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