



Stewardship Supplement

Voting Report 2022

January 2023



## INTRODUCTION

Our stewardship activities involve the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Voting rights give us the opportunity to participate in the stewardship of the companies in which we invest on our clients' behalf; they provide us with an important means of communication and ensure that our ongoing dialogue with management teams is done in a spirit of partnership.

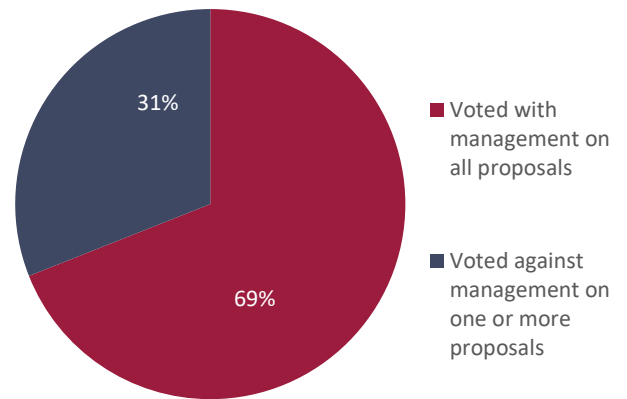
We believe companies that allocate capital responsibly, by putting environmental, social and governance considerations at the centre of their strategic frameworks, are more likely to succeed in the longer term than those companies that do not. Our full Voting Policy can be found [on our website](#).

This report provides an overview of our voting activity from 1<sup>st</sup> January to 31<sup>st</sup> December 2022, highlights prevalent themes, and includes examples of what we define as significant votes.



## Meeting overview 2022

- In 2021 we voted at 62 meetings<sup>1</sup>
- In 43 of these we voted with management on all proposals
- In 19 meetings we voted against management on one or more proposals



## Proposals - overview

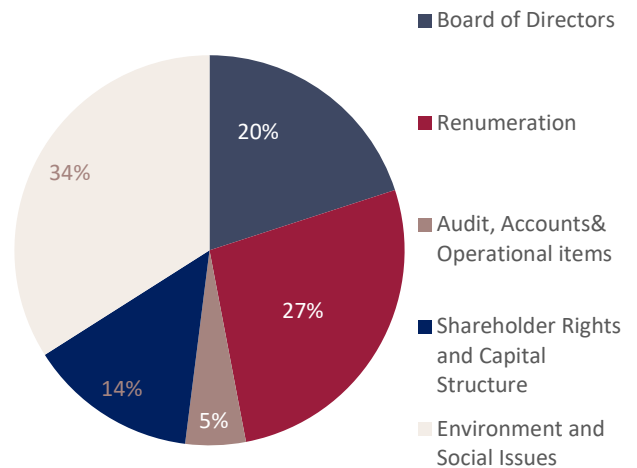
Number of proposals voted:	981	
Number of proposals with management:	925	94.3%
Number of proposals against management:	56	5.7%
Number of votes on shareholder proposals:	62	6.3%

## Votes against Management

This chart shows how we voted against management. We have broken down the proportion of votes to correspond with the five sections of our voting policy.

In our previous report, votes related to remuneration were most common, following the exceptional circumstances of Covid-19 that altered business-as-usual operations for the majority of companies.

For the 2022 calendar year, we voted against management most frequently on environmental and social issues. A large portion of these were shareholder proposals raised against Amazon and Alphabet requesting additional disclosures around topics including plastic packaging, water risks, climate lobbying and racial equity. Whilst management voted against these proposals, we believe increased disclosure would be helpful for shareholders on these issues and thus voted for.



<sup>1</sup> We seek to exercise our clients' voting rights on all our investments. However, in three of our meetings, we were unable to vote a small number of proposals for some nominees due to the requirement for us to establish Power of Attorney arrangements, which, due to our small shareholdings, would not have been cost effective for our clients.



## Examples of significant votes

Our investments are carefully researched, and we are active owners of our holdings. Usually, we would expect to vote with company management teams. However, there are instances where we vote against management on a material issue and, in these cases, we will engage with the company before and/or after our vote, to communicate our concerns and understand the company's approach for improvement. We define instances such as these as significant votes and provide examples below.

Depending on the severity of the issue, votes against the Board of a company can either be addressed through business-as-usual engagement or a specific engagement related to the decision. Our Engagement Policy can be viewed in full [on our website](#).

### **Intuitive Surgical**

At Intuitive Surgical's annual general meeting in April 2022 we voted against the Chair of the Board's re-election as they do not meet the climate policy targets that we expect of companies and state within our voting policy. These targets include:

1. *Reporting on Greenhouse Gas Emissions (GHGs) and a clear strategy to limit global temperature rise to 1.5°C by 2050 or before*
2. *Reporting and disclosure of emissions and climate-related risks using a widely accepted framework such as the Taskforce for Climate-related Financial Disclosures (TCFD)*

While we understood that the company was in the process of establishing a quantifiable programme for reducing GHG emissions and intensity, we could not see that this was in place.

We began to engage with the investor relations team on this issue and had a productive call in October. The management team were clearly aware of the need to improve disclosure and had taken steps to address this, including appointing a Head of Sustainability towards the end of the year. We had a follow-up call with the new Head of Sustainability in December, who outlined her focus on implementation, with carbon disclosures a priority for 2023 and an aim for net zero in the company's European operations by the end of Q1 2023, alongside a TCFD assessment.

We also discussed animal welfare and the development of employee talent alongside general strategy and will continue to monitor Intuitive Surgical's progress in these areas.

James Hambro & Partners is to be included in Intuitive Surgical's efforts to assess the most material areas of shareholder attention and the company is pleased with our engagement.

### **Rio Tinto**

As a global mining company operating in challenging environments across the world, Rio Tinto is arguably one of our most exposed businesses to risks involving climate change (and associated regulation), local community relationships and workforce conditions.

We met directly with the company in November 2021 to discuss Rio's recently updated climate transition plan. The company's ambition is to reach net zero by 2050 but they improved on their goal with new 2030 targets that are 3 times more aggressive than previous objectives (now aiming for a 50% reduction in Scope 1 & 2 emissions by 2030). Rio will spend \$7.5bn as part of this updated strategy.



Whilst we applaud the improved targets, most of Rio Tinto's emissions are Scope 3 in nature and there is currently no firm quantifiable commitment to reduce these. While we understand that Rio Tinto's ability to influence directly the decarbonisation of their customers' hard-to-abate processes is limited, lack of progress in this area remains a key risk for the business in the medium term. We plan to press for updates on Rio's strategy for reducing its Scope 3 emissions in future engagements.

Following our conversation with the company, we then had the opportunity to vote at the company's AGM in early April 2022. We took into consideration many of the topics we had discussed over the past two years, including the management changes, remuneration, the recent 'Everyday Respect' report and the proposed Climate Action Plan. The ongoing dialogue we have had with Rio Tinto has been very beneficial, and we felt comfortable supporting the proposals, including the Climate Action Plan, though we did note some reservations around Scope 3 emissions, as discussed above. Rio Tinto stated that its Scope 3 climate target will be in place before the end of 2023, and the company intends to submit its climate plans again in 2025. We therefore have some milestones to monitor and discuss with the company going forward.



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