

# SIM VOTING REPORT 2023

June 2024

## INTRODUCTION

At Seilern Investment Management ("SIM"), our goal is to vote on each investee company's Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) resolutions, including shareholder resolutions and corporate actions. We do this because it is our duty and fiduciary obligation to exercise the rights that we have as shareholders in the best interests of our clients. As a manager with a concentrated Universe of companies, we take the opportunity to vote seriously as it allows us to encourage boards and management teams to consider and address areas where we have concerns, along with areas that we want to support. SIM has internal voting principles as well as access to proxy voting research, currently from Institutional Shareholder Services (ISS) and Glass-Lewis to assist us with the assessment of resolutions and contentious issues. Although we are cognisant of proxy advisers' voting recommendations, we do not delegate or outsource our stewardship activities when deciding how to vote on our clients' shares. We also review local best practices and corporate governance codes when voting and consider companies' explanations for not complying with best practice to ensure that we vote in the best interests of our clients.

This document is an annual review of our voting. It includes an overview of our voting statistics and a discussion of noteworthy votes for the calendar year (defined as votes which involve the application of SIM's internal voting principles) This year it does not include the overview of our most significant votes (defined as votes in companies where SIM holds one per cent or more of a company's shares) as we do not meet the threshold.

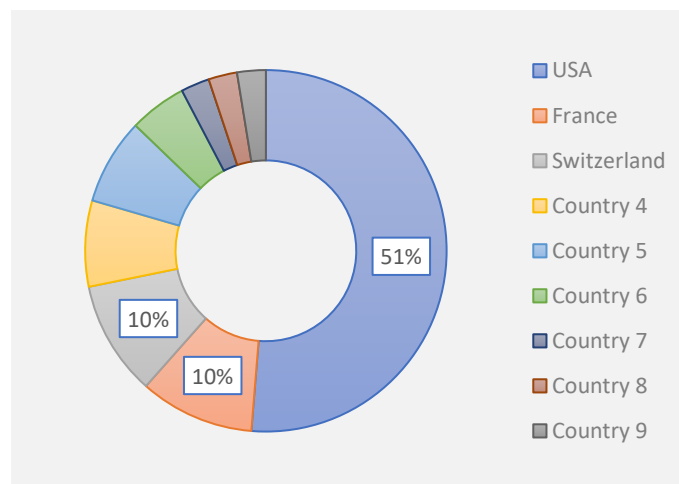
## VOTING STATISTICS

For 2023, SIM voted 39 out of 39 meetings, or 666 of the 666 available proposals.

Table 1: Vote details

Total Items Voted	666	
<b>For</b>	592	89%
<b>Against</b>	54	8%
<b>Abstain or withheld</b>	0	0%
<b>Votes on Management Share Option Plan</b>	20	3%
<b>With management</b>	652	98%
<b>Against management</b>	14	2%
<b>Shareholder proposals</b>	34	5%

Figure 1: Regional Voting Breakdown (countries disclosed above 10%)



## NOTABLE VOTES

Below are examples of notable votes where SIM has exercised its rights in accordance with its internal principles.

### I) INDEPENDENCE OF COMMITTEES & THE BOARD OF DIRECTORS

#### PRINCIPLE

*Directors are the stewards of the business, responsible for setting the company's aims and objectives and ensuring that these are achieved. The board is especially important as it is the link between the shareholders (to whom the board is accountable) and the executives (who are accountable to the board). Setting the long- and short-term goals of a company and planning for their achievement is an activity that is both difficult and demanding and there are several ingredients that are necessary to execute this effectively. First, the board must have the relevant balance of experience to add value, which includes a balance between insiders (who know the business well) and outsiders (who can bring fresh perspective). Second, they must have the time and space to perform their tasks to the best of their ability. Third, they must show commitment to their role and their responsibilities.*

*The role of the Chair is especially important. The Chair requires all the qualities above as well as the leadership necessary to steer the board in the direction of the company's goals. While we prefer the role of CEO and Chair to be separate to promote accountability, we also accept this role being combined.*

#### ACTION

In 2023, SIM voted against management and with the recommendation of the proxy voting providers where we felt that a board member was overboarded.

#### **Veeva**

We voted against the nomination of Paul Sekhri to the board. While we do not believe that there is a strict limit on how many board memberships one person can hold and believe that each vote ought to be treated on a case-by-case basis, we are strong believers that each board member must fulfil their duties completely and properly. This includes having the time to allocate not only to attending board meetings, but also our view on whether they have enough time to think about the issues in sufficient detail. We note that Mr Sekhri has not missed any meetings and has been on the board for eight years. He has vast experience within pharmaceuticals and biotech and has held various influential roles at both large pharma and emerging biotech companies.

However, he is the Chairman, President and CEO of vTv Therapeutics, as well as Chairman of three other listed biotech/pharma companies. In addition, he sits on six other boards (including one where he was until recently CEO) and is also on the advisory board of a biotech PE fund and is a board member at various not for profits. We therefore decided to vote against his re-nomination.

### II) REMUNERATION

#### PRINCIPLE 1

*We believe that companies ought to be run in the long-term interests of the owners of the business (the shareholders) and for management and the board to be remunerated in line with that. The correct incentive structure as well as proper alignment of those incentives are key. We vote in favour of proposals where we feel that the incentives are clear, proportionate and aligned with shareholders and against proposals where we feel that they are not. In practice this often means that we look closely at the remuneration structures of*

*management (which are often composed of a combination of fixed pay, short-term incentives and long-term incentives) preferring packages that maximise the ‘skin in the game’ for management and link their performance to metrics that drive shareholder value. Because of this, we generally prefer that the company has hurdles composed of a combination of growth (the higher up the profit and loss account the better) and high-quality returns-based metrics (linked to return on invested capital rather than return on equity) and to use metrics that have less potential to be manipulated (reported rather than adjusted numbers).*

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## PRINCIPLE 2

*In order to maintain competitive advantages, companies must have access to top talent. In order to access top talent, companies often must remunerate well. We believe that companies ought to be able to pay their staff well and the fact that top employees in certain companies are paid in excess of peer group averages is not, in and of itself, a reason to vote against remuneration proposals. However, we are also cognisant of ‘races to the top’ with respect to talent and believe that decisions to pay in excess of peer group averages ought to have clear and transparent justification.*

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## ACTION

In 2023, SIM voted with management on several remuneration proposals that we believed to be in the best interest of shareholders:

### **Alphabet**

We voted with management on the amendment of their stock omnibus plan and with management on the advisory vote to ratify named executive officers’ compensation. Finally, we agree with the board that three years is appropriate for the frequency of shareholder say on pay. The core issue which the proxy voting companies have with the stock plan seems to be about the overall size of the plan and the resulting high dilution. While the stock plan may be very large compared to peers, it is a tool for Alphabet to attract the best engineers and minds in a competitive industry. It may also help align interests between employees and shareholders.

On Executive Compensation, exactly how much executives ought to be paid will forever be a subject of debate. The fact that top employees in Alphabet earn higher than peer group alone does not mean their remuneration should be decreased. In our opinion, such measures are in line with the company’s elite culture. In addition, this grant seems consistent with prior grants.

### **Booking Holdings**

We voted with management on executive compensation proposals in 2023, after disagreeing with management, and voting against in 2022. Our vote in favour is the result of improvements that the company has made to the FY 22 and FY 23 pay programs following the consultation of shareholders after the strong disagreement with executive remuneration in FY 2021 (only 31.7 *per cent* of shareholders voted in favour of the compensation proposal). Specifically, the committee have returned to three-year performance periods in the 2023 performance share units, they exercised negative discretion to the FY 2022 annual incentive payouts, capping them at 200 *per cent* of target opportunities (noting that the negative and positive discretion were unusual and will not be an ongoing practice), they added a cap on performance share units payouts if total shareholder return performance is negative and they reduced the total compensation for all non-executive officers in FY 2022, primarily due to equity award reductions. We believe that these measures are an important step in the right direction and warrant our vote with management on the subject.

## I) PRE-EMPTION RIGHTS

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## PRINCIPLE

*We believe a Quality Growth company's equity to be of the utmost importance. As a result, we also believe in protecting against the dilution of shareholders' equity. Some forms of dilution (outside of employee compensation) may be necessary in extraordinary situations, such as when a company is in extreme financial distress and needs to raise capital quickly. This was a pertinent point in the early stages of COVID, when the market was witnessing extreme liquidity problems, and many pre-emption rules were relaxed to deal with the severity of the situation. To prepare for such situations, companies sometimes ask for permission to issue a certain amount of equity to the market without pre-emption rights. The rationale is that in times of distress they may need to raise capital very quickly and may not have the time to ask shareholders for approval. One of the ways shareholders can protect themselves is to invest in companies that have strong balance sheets and access to liquidity, thus reducing the risk of finding themselves in a situation where the issuance of equity in times of distress is necessary.*

*We are generally sceptical of large acquisitions, as they are often accompanied by significant risks. As such, we are suspicious when we see acquisitions financed with equity capital.*

*If equity financing is necessary, we believe pre-emption rights are of the utmost importance. Our natural stance is strict when it comes to voting in favour of granting companies the power to issue equity. While corporate governance practices vary from country to country, we will generally follow the principles of the UK [Pre-Emption Group](#)<sup>1</sup>, limiting the amount that can be issued to 5 per cent of issued ordinary share capital.*

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## ACTION

In 2023, SIM voted against two proposals for the disapplication of pre-emption rights:

### **Lonza**

We voted against a proposal by Lonza requesting approval for the renewal of a Pool of Capital without Pre-emptive rights (representing 10 *per cent* of the outstanding shares), the same proposal that we voted against two years ago. We feel that having a potential 10 *per cent* share dilution with no pre-emptive rights is too high, and potentially harmful to existing shareholders. As we discussed before, we believe the UK guidelines of 5 *per cent* is more appropriate.

### **SGS**

As with Lonza, we voted against a proposal by SGS requesting approval that would allow for the issuance of shares non-pre-emptively in excess of 5 *per cent* of issued share capital. We believe that a potential 21 *per cent* dilution (when combining the proposed capital band and the existing conditional capital) without approval from shareholders is too much. One of the reasons we invest exclusively in Quality Growth companies, like SGS, is because they should not need to have to raise large amounts of equity capital. Of course, there may be certain situations where a raise is reasonable, but we believe shareholders should be consulted in such situations.

### **Hermés**

We voted against a request to approve the renewal of capital issuance for different purposes in excess if 10 per cent of issued capital without pre-emptive rights.

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## III) DISCLOSURE

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<sup>1</sup> The UK pre-emption group are an organisation dedicated to providing guidance to companies and investors on the disapplication of pre-emption rights.

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## PRINCIPLE

*In order to understand the economic risks in a business, it is important that we have the right information. As such, we are generally in favour of more disclosure rather than less, however, we are also aware of the fact that companies operate in competitive environments and some information would be dangerous if it were in the wrong hands.*

*We regularly encourage companies to improve their disclosure and also promote activities that help to improve disclosure around useful metrics and information.*

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## ACTION

In 2023, SIM voted for against measures where we did not believe that the level of disclosure was sufficient.

### **Lonza**

We voted against the '*transact other business*' proposal. Given we do not know what these new items would be, there is a risk that they may not be in our best interests as shareholders.

### **SGS**

Similar to Lonza above, we voted against the '*transact other business*' proposal. Given we do not know what these new items would be, there is a risk that they may not be in our best interests as shareholders.

### **Hermés**

We voted against seven proposals. We voted against a proposal on the grounds that the company failed to provide sufficient information surrounding the consulting agreement with Studio des Fleurs and transactions with RDAI. Although we cannot confirm that these agreements were not in the best interests of shareholders, given the level of disclosure we could not make an informed assessment. We encouraged the company to provide more information in the future.