

SIM 2021 Voting Report

INTRODUCTION

Pursuant to COBS 2.2B implementing the Shareholders Rights Directive II (Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017) ("**SRD II**"), Seilern Investment Management Limited ("**SIM**") is required to report on how it has exercised its voting rights and on its engagement activities. As SIM is currently formalising a wider engagement policy, this report is focused on disclosing the proxy voting behaviour and provide an aggregate representation on the votes that SIM has exercised in the past year.

At 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 as 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), 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, a discussion of noteworthy votes for the year (defined as votes which involve the application of SIM's internal voting principles), an overview of our most significant votes (defined as votes in companies where SIM holds one per cent or more of a company's shares) and our voting record for the top ten holdings in each fund (as at 31 December).

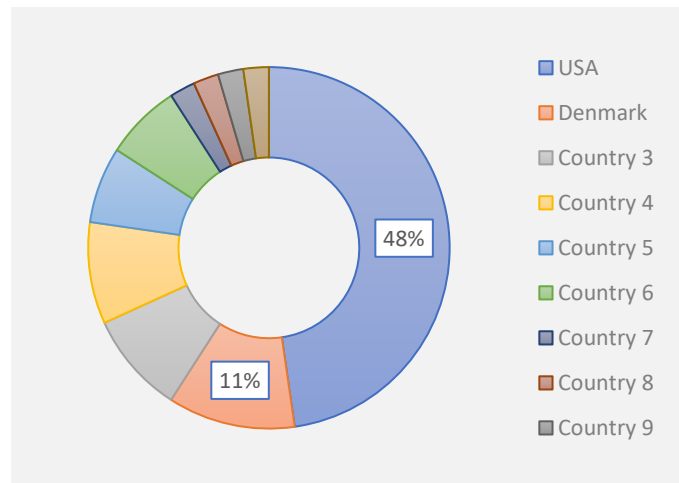
VOTING STATISTICS

For the year, SIM voted 44 out of 45 meetings, or 705 of the 720 available proposals¹.

Table 1: Vote details

Total Items Voted	705	
For	655	93%
Against	50	7%
Abstain or withheld	0	0%
With management	683	97%
Against management	22	3%
Shareholder proposals	31	4%

Figure 1: Regional Voting Breakdown



¹ The SimCorp meeting was not voted due to a technical issue whereby the custodian did not correctly register the securities to vote (Denmark); this has now been resolved.

NOTABLE VOTES

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

I) PRE-EMPTION RIGHTS

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](#)², limiting the amount that can be issued to five percent of issued ordinary share capital.

ACTION

In 2021, SIM voted against two proposals for the disapplication of pre-emption rights:

Lonza Group AG

We voted against a proposal by Lonza requesting approval for the renewal of a CHF 7.5 million Pool of Capital without Pre-emptive rights (representing 10 per cent of the outstanding shares). This was meant to remain in place for a period of two years and be used for the purpose of acquiring companies, parts of companies, participation in companies or other assets. We engaged with the company who argued this was standard practice in Switzerland and it would provide them with flexibility. However, as the proposed amount exceeded our five per cent limit we voted against the proposal.

Hermès International SCA

We voted against a number of proposals put forward by Hermès, including requesting approval for the authorisation of issuance of equity or equity-linked securities with pre-emptive rights up to 40 per cent of issued capital; authorisation of issuance of equity or equity-linked securities without pre-emptive rights up to 40 per

² The UK pre-emption group are an organisation dedicated to providing guidance to companies and investors on the disapplication of pre-emption rights.

cent of issued capital; approval of issuance of equity or equity-linked securities up to 20 per cent of issued capital per year for private placements and authorisation of a capital increase of up to 10 per cent of issued capital for contributions in kind.

II) RELATED-PARTY TRANSACTIONS

PRINCIPLE

The proper management of related-party transactions is especially important when it concerns family-controlled businesses. We are generally supportive of family-controlled businesses but given the concentration of power and potential for abuse of minority shareholders we expect a high degree of restraint and disclosure when it comes to related-party transactions. It is therefore important that the right process and disclosure are in place to manage the potential conflicts of interest. We would also expect management to err on the side of caution on such matters.

ACTION

In 2021, SIM voted against a proposal where we believed the disclosure surrounding related-party transactions to be inadequate:

Hermès International SCA

We voted against the approval of the Auditor's Special Report on Related-Party Transactions as we considered the disclosure to be too poor for us to judge whether the transactions were in the interest of the business or done on arms-length terms.

Hermes engaged Studio des Fleurs company to offer photography and retouching services for packshots of e-commerce products and paid them a total of €3.0 million for it in 2020. This is considered a related party as a member of the Executive Management Board of Émile Hermès SARL has both a personal interest in, and exercises considerable influence upon it. There is no further information making it impossible for us to determine the true nature, need and true cost of providing such a service.

The company also engaged a company called RDAI studio to carry out design work for the internal layout of all Hermès Group stores for a total value of €12.5 million. Like Studio des Fleures, this is considered a related party as certain members of Group Management, of the Executive Management Board of Émile Hermès SARL or members of the supervisory board have both a personal interest in, and exercise significant influence upon the company. The level of disclosure was not enough for us to determine the true nature, need and cost of providing such a service.

We reached out to the company to discuss both transactions and were told that the rate that is being paid is market standard (arm's length) and that they were treated like any other supplier. We were, however, not provided with sufficient information to independently verify this and informed the company that we would be voting against this item.

III) INDEPENDENCE OF COMMITTEES & THE BOARD OF DIRECTORS

PRINCIPLE I

We are generally encouraging of family-controlled businesses and understand that there are cases where a disproportionate control of a company by the founding family is in the interests of long-term shareholders,

especially when the lion share of the family's wealth is tied up in that company. However, in instances where this is the case, we believe it is important that the company displays a high degree of transparency to ensure that the controllers can be held to account by minority shareholders. Consequently, we will look for Audit and Remuneration Committees to be comprised predominantly (if not entirely) of genuinely independent directors. We also think it is important that the right processes are in place to manage the potential conflicts of interest between the controlling shareholders and minority shareholders. However, where conflicts do arise, we would like to see companies err on the side of caution both when it comes to defining directors as independent as well as determining the remuneration of members of the controlling shareholder group.

PRINCIPLE II

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 2021, SIM voted against the approval of directors where we felt that there was a lack of independence on the board committees.

Assa Abloy

We voted against the re-election of all board members at Assa Abloy. The company takes a bundled approach for the voting of directors which is not good practice as it does not give shareholders the chance to vote against individual directors. We chose to vote against the re-appointment of all directors as we consider there to be some deficiency in the corporate governance practices of the company. Notably, we consider the number of truly independent directors to be too low, and the composition of the Audit and Remuneration Committee to be insufficiently independent. Assa Abloy is a business where a large amount of control is exercised by two organisations which are linked (Investment AB Latour and Melker Schorling AB). Due to Assa Abloy's dual voting share structure, these two organisations control 40.3 per cent of the vote with 12.6 per cent of the share capital. While we have a large degree of trust in the competence of these two organisations, which have been responsible for successfully growing the company to its current state, we believe the appropriate checks and balances provided by independent directors could be improved. Notably, the Audit committee and the Remuneration committee could have increased independent representation. We engaged with the company to explain our concerns ahead of the AGM and voted against the re-election of the board members.

Remuneration Committee		
Jan Svensson	Rep. of Investment AB Latour	Non-Independent

Birgitta Klasen		Independent
Sofia Schoerling Hogberg	Rep. of Melker Schorling AB	Independent

Audit Committee		
Lars Renstroem	Tenure (Chairman since 2008)	Non-Independent
Jan Svensson	Rep. of Investment AB Latour	Non-Independent

IV) REMUNERATION

PRINCIPLE

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).

ACTION

In 2021, SIM voted against several remuneration proposals that we did not view to be in the best interests of shareholders:

Dassault Systèmes

We voted against the resolution to approve the compensation for Bernard Charles, CEO and Vice Chairman of the Board, as the disclosure surrounding the annual bonus was low, the alignment between the performance obligation and the outcome was unclear and information on the performance conditions attached to the awards that vested in 2020 were low.

Kone

We voted against the approval of compensation for executives as the remuneration report lacked disclosure regarding the short and long-term incentive plans. The report omitted information on the criteria, weights and performance targets of the awards. Given the number of votes controlled by Mr Antti Herlin (61.99 per cent) and his family, matters proposed to the AGM, such as the proposed increases in remuneration of directors, are effectively being proposed and approved by the same person. We do not consider this to be good governance.

The proposal also included significant increases in the quantum of pay without an adequate justification for the change. We felt this was required to allow minority shareholders to judge whether the increase is warranted and proportional, or whether it represents an abuse of power, particularly where it concerns the remuneration

of Mr. Herlin himself. As no justification was provided and we considered the increase to be excessive we voted against this proposal after informing the company of our intention to do so.

Alphabet

We voted against the re-election of the Compensation Committee members, directors L. John Doerr, K. Ram Shriram and Robin L. Washington for poor stewardship of the company's pay programs in the absence of a say-on-pay proposal this year. We expressed concerns over the sizable equity grants received by four named executive officers (valued between \$50.2 million and \$66 million), and the lack of performance conditions.

Hermes International SCA

We voted against the approval of compensation for executive members as the remuneration setting process was not sufficiently objective.

SIGNIFICANT STOCKS

Please see below for the voting record for significant stocks³ in the period under review.

Figure 1: Rightmove Votes 2021

Proposal	Management Recommendation	Seilern Instruction
Accept Financial Statements and Statutory Reports	For	For
Approve Remuneration Report	For	For
Approve Final Dividend	For	For
Reappoint KPMG LLP as Auditors	For	For
Authorise Board to Fix Remuneration of Auditors	For	For
Elect Alison Dolan as Director	For	For
Re-elect Andrew Fisher as Director	For	For
Re-elect Peter Brooks-Johnson as Director	For	For
Re-elect Jacqueline de Rojas as Director	For	For
Re-elect Rakhi Goss-Custard as Director	For	For
Re-elect Andrew Findlay as Director	For	For
Re-elect Amit Tiwari as Director	For	For
Re-elect Lorna Tilbian as Director	For	For
Authorise Issue of Equity	For	For
Authorise Issue of Equity without Pre-emptive Rights	For	For
Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	For	For
Authorise Market Purchase of Ordinary Shares	For	For
Authorise UK Political Donations and Expenditure	For	For
Authorise the Company to Call General Meeting with Two Weeks' Notice	For	For
Adopt New Articles of Association	For	For

TOP 10 FUND HOLDINGS

Please see here (insert hyperlink) for the top ten holdings in each fund that were voted as at the end of the prior year.

³ Defined as holdings in which SIM are the owners of one or more per cent of the outstanding shares of the company.