THOMAS
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TMI's Voting Record: 01.01.15 - 31.07.16

Thomas Miller Investment is a signatory to the Stewardship Code, a code of conduct for investment firms and asset owners, which is intended to influence the way in which they monitor their investments. The code has seven main principles. Without going into great detail on all of them, one of the principles is that signatories should vote on their shareholdings as a way of showing their engagement and demonstrating that they have a clear interest in the way companies are managed. The aim is that the investee companies will take note of this interest, and that the monitoring process will help to endorse effective corporate governance. The code is an adjunct to the Corporate Governance Code, which was introduced several years ago to improve the governance of companies and to reduce the principal/agent problem.

The Stewardship Code has had a big impact on the behaviour of asset management firms since its introduction six years ago. Looking back historically, many firms did not bother to vote on their shareholdings at annual and ordinary meeting. The voting record is now much better.

Another of the stipulations of the Stewardship Code is that signatories report to their clients on a regular basis about how they have exercised their votes. The intention of this article is to do exactly this for the period since the beginning of 2015. The comments below cover votes on both institutional and private client portfolios. It is worth pointing out that a large proportion of TMI's equity holdings are in the form of passive investments, where voting on the underlying companies would be carried out, if at all, by the manager of the ETF. It is also worth pointing out that TMI is a small investor, in terms of its direct equity holdings. But it is the principle that is important.

Over 2015 TMI voted on 1085 resolutions – most of these were the regular resolutions at Annual General Meetings, though there were some ordinary and extraordinary meetings as well. We approved the vast majority of resolutions over the year, voting in favour 99.63% of the time, and against 0.37% of the time. In absolute terms, we voted against a resolution on four occasions out of 1085 votes. All four of these were shareholder resolutions, which we did not feel were in the long term interests of the company involved.

In the current year to the end of July, we have voted against resolutions on eight occasions, or 0.65% of the time (eight out of 1237 votes). Six of these were shareholder resolutions at General Electric, where activist groups with small shareholdings were making propositions that we did not feel squared with the long term future of the company. The only one we felt any sympathy with was the proposed splitting of the role of chairman and CEO at the company. We had voted in favour of this division of roles in previous votes in respect of US companies. However, in the case of GE we felt that Jeffrey Immelt has done a good job holding both positions, and that the aggregation of power in one person was justified.

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In 2016, in relation to Royal Dutch Shell, we also voted against a shareholder proposition to turn the company into a renewable energy company, which we did not feel was appropriate or would benefit shareholders.

More controversially, we voted against a resolution to approve the Compensation Committee report at WPP's annual meeting, against the management's recommendation. This issue was well covered in the press earlier this year. The Committee awarded CEO Martin Sorrel a further £70m in total remuneration for 2015, which we considered excessive. Sorrel is the company's founder, and is important to the company's future, but we felt that the financial package being awarded was not reflective of his value to the firm. Sorrel did invest some of his own money in shares and options in order to make this sum, it is true. Nevertheless, we felt that the original awards of options, made when the share price was depressed, were overly generous. Overall, 34% of the shareholder base voted against the report.

This summarises our voting behaviour. It is also worth discussing our engagement practices over the period, where we met with companies in order to air any potential concerns we may have had.

Over the course of 2016 to date we have held meetings and met the management of a number of companies where we invest or are thinking of doing so, including Babcock, Standard Chartered, Avon Rubber, RPC Group, Hogg Robinson, Shawbrook Bank, Portmerion, INTU, Phoenix Group, Workspace Group, Hill & Smith, Smith & Nephew, Lloyds Banking Group, British Telecom and Persimmon.