

SIM VOTING REPORT 2022

May 2023

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 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) 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, a discussion of noteworthy votes for the calendar 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 2022).

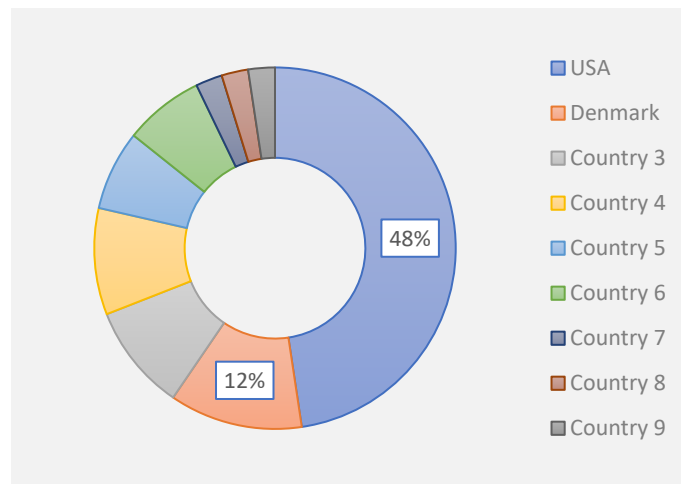
VOTING STATISTICS

For 2022, SIM voted 42 out of 42 meetings, or 643 of the 643 available proposals.

Table 1: Vote details

Total Items Voted	643	
For	547	85%
Against	40	6%
Abstain or withheld	0	0%
Votes on Management Share Option Plan	56	9%
With management	626	97%
Against management	17	3%
Shareholder proposals	34	5%

Figure 1: Regional Voting Breakdown



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 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 2022, SIM voted with management and against the recommendation of ISS for the approval of directors where we felt that the burden of independence was met (Straumann) and against management where we did not think that this burden was met (Kone).

Straumann

We voted in favour of the re-election of directors for Straumann as we believed that the test for independence was met. We have a different view to ISS (who considered the board to be 38 *per cent* independent, as compared to 62 *per cent* according to Swiss Law) as we do not agree that tenure automatically prevents a director from being independent. Nevertheless, we raised the issue with Straumann's investor relations department and its CEO, Guillaume Daniellot, explaining that the level of independence on the board has been falling in recent years. In response, the CEO explained that the board is planning to replace some long standing members and replace these with independent ones.

We also noted that Juan Jose Gonzalez has been appointed to the Audit Committee over the course of the year, complying with the company's own guidelines to have three members on the committee and in line with our discussion on the topic last year.

Kone

We voted against the re-election of Matti Alahutta, CEO of the company from 2005 until 2014, as although he is considered to be an independent director by both Kone and the Finnish Corporate Governance Code, we believe Mr. Alahutta to be a 'close person' to the Herlin family, the owners of the business. In addition, we raised the issue with the company that the Audit Committee does not have a majority of independent members (Mr. Alahutta also sits on this committee).

II) 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 2022, SIM voted against several remuneration proposals that we did not believe to be in the best interest of shareholders:

CME

We voted against the award of a \$5m discretionary bonus to CEO Terry Duffy. There was mixed messaging surrounding the award, with it being both for his performance in 2021 and an incentive to stay for another year. We disagreed that the remuneration was "*in the best interest of the company and the shareholders*", specifically as the provision seemed excessive (Mr Duffy was already remunerated for 2021), had no clawback or repayment provisions if Mr Duffy were to resign or retire ahead of the end of the contract extension date, and was an inappropriate mechanism for incentivising commitment (it was paid as a cash bonus rather than being stock-based).

Veeva

We voted against the amendment of the Employee Incentive Plan (or Stock Omnibus Plan) as we did not believe that the proposals were in the best interest of shareholders. The Employee Incentive Plan (EIP) outlines how much stock will be made available for employee compensation. The original plan began at the time of the IPO in 2013 and is due for renewal in 2023. In order to make sure it was approved before expiring, Veeva proposed a 10-year extension starting this year, which also includes several amendments.

Each year a certain number of shares are made available for future issuance. As the total number of shares made available have not been issued in prior years, this has led to a build-up of 'available shares' (approx. 30.7m). There is also an 'evergreen' provision within the plan that allows for a further number of shares to be made available. This number is the lesser of 5 *per cent* of outstanding shares, or 13.75m shares, or a number at the discretion of management. The company can then use this pool to issue shares to employees as part of their compensation.

Our concerns with the terms of the EIP were threefold. Firstly, the company could theoretically decide to grant all of these shares, which would lead to a significant dilution. ISS considers the aggregate of all the existing available shares and the shares that could be made available in the future which would result in a very large potential dilution (c.85 *per cent*). This is partly because the plan is over ten years. However, the potential dilution created by just the evergreen provision would result in, a 5 *per cent* dilution which we consider to be too high, especially if it is not put to a shareholder vote. In reality, the company has only granted a tiny portion of the available shares, which is partly why such a big pile has built up. The granting usually results in a dilution of approx. 1 *per cent* per year, which is we consider acceptable, especially for a company growing as fast as Veeva. Thus their 'burn rate' is well within ISS's acceptable guidelines.

Secondly, we did not feel that the company clearly communicated the rationale for why so many shares remained available and why the evergreen provision would remain in place. The final issue was why a 10 year approval was deemed appropriate, rather than a five, three or one year period. We raised these concerns with the company and communicated our intention to vote against the proposal and in line with ISS.

Booking Holdings

We voted against ratification of the compensation of the CEO Glenn Fogel. First, we were concerned by the discretionary adjustments that were made to the 2018 and 2019 Performance Share Units (PSUs) representing a total of \$24.1m for Mr. Fogel. We understand the board's motivation to reflect the strong performance of 2018 and 2019 prior to the pandemic but we believe management had already been remunerated for their performance those years with Mr. Fogel receiving 6,884 PSUs in 2018 (\$14m) and 8,168 PSUs in 2019 (\$13.9m). While the pandemic led to no PSUs being awarded in 2020, we felt that this was aligned with the performance of the business in 2020 and that making discretionary adjustments to the program in 2021 only serves to undermine it.

We were also concerned about the performance targets that were set in 2021 which required revenue to grow 1.7 *per cent* after a 55 *per cent* decline in 2020 (significantly below consensus estimates at the time). While we understand the difficulty to forecast the business recovery in the midst of the pandemic, we would have expected a reduction in potential payouts to align it to the difficult times faced by the business.

Finally, while we appreciate the introduction of Restricted Share Units (RSUs) to mitigate some of these issues, we felt that the new plan gave too much discretion to the Compensation Committee to adjust bonuses and PSU awards, including adjusting the Total Shareholder Return (TSR) by up to 25 *per cent*. It is not clear what could trigger these adjustments and we felt this could lead to a significant misalignment of remuneration versus performance.

III) DISCLOSURE

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.

ACTION

In 2022, SIM voted for measures that sought to improve the level of disclosure, which we felt was in the best interest of shareholders:

Alphabet

We voted in favour of three shareholder proposals on reporting surrounding lobbying payments, physical risks of climate change and metrics and efforts to reduce water-related risks. While we do consider the standard of reporting by the company on all items to be good, we also believe that improving on this disclosure would help shareholders better understand the risks that the company faces.

Hermès

We voted against three proposals on the grounds that the company failed to provide sufficient information. First, the lack of disclosure 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; Second, the lack of disclosure surrounding minimum vesting periods for grants; and third, the lack of disclosure surrounding the minimum performance period for executive remuneration.

IV) SHAREHOLDER RIGHTS

PRINCIPLE

Shareholders are the true owners of the business and ought to be recognised as such.

However, we understand that not all shareholders have the same views for the business and have different objectives for their shareholdings. At Seilern, our policy is to promote the views of long-term shareholders in the business, whose investment horizon is measures in years and decades rather than days and months.

ACTION

In 2022, SIM voted on measures that sought to promote shareholder rights:

MasterCard

We voted in favour of all management proposals and against all four shareholder proposals, in line with the board's recommendation.

One of these shareholder proposals was to provide the right to call a special meeting at a 10 *per cent* ownership threshold. We voted against this proposal as we deemed that another proposal from management for the right to call a special meeting at a 15 *per cent* ownership threshold was a better proposal. Indeed, while a lower threshold should make it easier for shareholders to initiate a shareholder resolution without having to wait for the next scheduled meeting, we were concerned that a 10 *per cent* threshold could give outsized power to a small number of very large investors. We believe a 15 *per cent* threshold is a reasonable hurdle which achieves a similar outcome to the 10 *per cent* threshold while reducing the risk of abuse.

Booking Holdings

We voted in favour of a shareholder proposal to provide the right to call a special meeting at a 10 *per cent* ownership threshold. Contrary to our vote on a similar MasterCard proposal (above), in this case we felt it was appropriate to support this proposal as the existing threshold of 25 *per cent* was too high to realistically allow shareholders to call special meetings and secondly, the proposed threshold would empower shareholders without allowing a single shareholder to call a meeting. In addition, we disagreed with the board's proposed remuneration of management and felt that a lower threshold to call special meetings would make it easier for shareholders to voice their concerns in the future.

We did not feel that management's concern that this may unduly mobilise the company's resources was sufficient as we believe special meetings are called for major decisions where shareholder input is deemed useful, therefore making it a good use of the company's resources.

SIGNIFICANT STOCKS

Please see below for the voting record for significant stocks¹ in the period under review.

Figure 1: Rightmove Votes 2022

Proposal	Management Recommendation	Seilern Instruction
Accept Financial Statements and Statutory Reports	For	For
Approve Remuneration Report	For	For
Approve Final Dividend	For	For
Appoint Ernst & Young LLP as Auditors	For	For
Authorise Board to Fix Remuneration of Auditors	For	For
Re-elect Andrew Fisher as Director	For	For
Re-elect Peter Brooks-Johnson as Director	For	For
Re-elect Alison Dolan 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

TOP 10 FUND HOLDINGS

Please see the website for the top 10 holdings in each fund that were voted as at the end of the prior year.

¹ Defined as holdings in which SIM are the owners of one or more per cent of the outstanding shares of the company.