Premier Miton
INVESTORS

MARCH 2021

Responsible Investing Report 2020

The fund managers are encouraged to share investment ideas and will often hold joint meetings with prospective and investee companies. Investment teams will meet regularly to share views. For example, the UK equity team meet weekly and the whole investment team meet monthly. We also have a quarterly responsible investing forum, led by our Head of Responsible Investing, to share thoughts. Topics to date have included ESG data, proxy voting and sustainable growth themes.

Principle 8; Monitoring managers and service providers

Premier Miton uses a variety of ESG information sources including company reports, meetings with management and boards as well as specialist ESG research and data. We subscribe to a number of independent providers of ESG data and research including Ethical Screening, ISS (governance quality score, climate solutions and proxy voting research), FTSE ESG, CDP global disclosure data and Bloomberg, with a number of these datasets introduced during the year. We regularly interact with these providers on a range of topics, including methodology and discussions on the difference in ESG view, for example when we have gained updated information through engagement or results presentations. Additionally, we access publically available ESG company scores including S&P, MSCI and Sustainalytics and are increasingly finding that Premier Miton's external providers of non-ESG specific research are providing ESG commentary and data within company research.

Case study: We have significantly increased our ESG research and data inputs to include ESG data on over 6,000 companies from ISS, as well as specialist ESG and UN Sustainable Development Goals (SDG) data on 500 companies from Ethical Screening. ESG data coverage varies from 100% in the specialist sustainable and ethical funds where we specifically request full coverage for each fund's holdings and prospective holdings, to approximately 60% for fixed income funds to less than 30% in our funds that invest in smaller companies. Over time, we are aiming for 100% coverage for all funds using a combination of internal research alongside external analysis and data.

Our fund managers frequently meet with companies and some of the most valuable are meetings with smaller companies who typically provide less ESG data. In these meetings we are able to directly ask management questions on areas such as staff satisfaction surveys, supply chains and energy management, which are all important indicators that are rarely published, as well as encouraging enhanced disclosure in the future.

Additionally, in our sustainable and ethical themed products, we often find gaps in the company data that we use to estimate how a company's activities map to our sustainable themes. In a number of instances we have asked global, diversified companies to provide estimates on activity splits across the business to undertake the mapping that we consider in investment allocations.

Engagement

Principle 9; Engagement

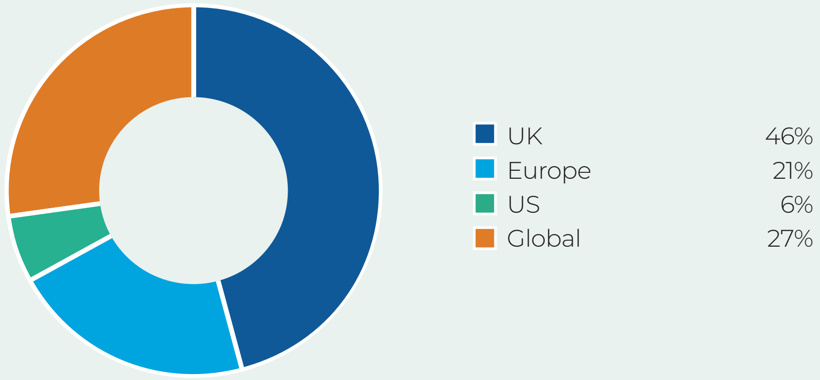
Our fund managers meet the management of investee companies and prospective ones as part of their research process. Increasingly, meetings are coordinated with Premier Miton's Head of Responsible Investing where company ESG risks exist or specific ESG engagement is being undertaken.

During the year the fund managers attended 2,701 company meetings. This included meetings held by all investment teams, including meetings held by our multi manager team with third party fund managers. These meetings are a major part of our due diligence process as well as our ongoing portfolio monitoring process.

Usually a significant number of these meetings would be in person, but due to COVID-19 related restrictions, company meetings are happening via video and telephone conferencing. This has brought some benefits in terms of time efficiency as it negates time taken to travel to meetings and has often meant that the availability of company management teams has improved. We have also been able to attend virtual conferences which is an efficient way to meet company management. As virtual meetings have become more normal during the year, more frequent communication with companies outside the UK has also been possible.

Compared to 2019, when we had a combined 2,123 meetings, we have been more active in meeting companies during 2020, holding over 30% more meetings.

Engagement by company location



The level of corporate engagement is appropriate for the investment strategy employed. It is typically greater with smaller companies where we have a significant shareholding, and UK companies which are easier to meet. Half of the of meetings with UK companies were undertaken by the investment teams that specialise in smaller companies. The sustainable and ethical themed funds also tend to be more active in meeting companies.

When we meet companies, we typically find the Chief Executive Officer (CEO) and Finance Director (FD) offer the best oversight on company strategy and business updates, but additionally we also find value in meeting chairpersons and the investor relations representatives. Increasingly, as its relevance has increased in our growing sustainable and ethical themed funds, we may also meet the head of sustainability.

Topics regularly discussed with company management during the year included their response to COVID-19, company refinancing, dividend strategy, remuneration, board structure and company reporting. For 2021, we have updated our systems to allow for improved documenting of ESG topics covered in meetings to allow enhanced reporting on engagement topics in the future.

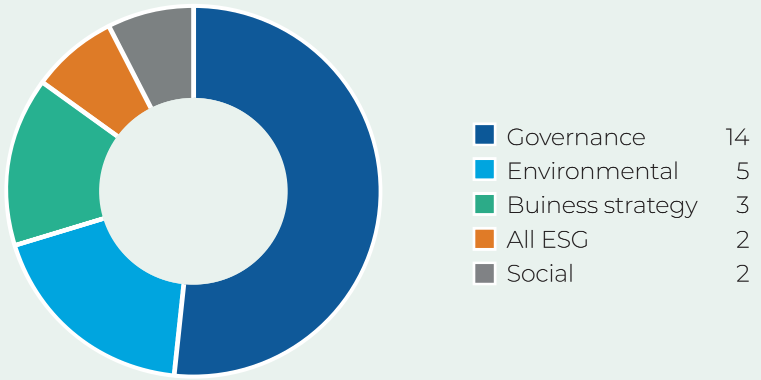
Case study: The multi manager team spoke to all of their third party fund managers at the start of the COVID-19 pandemic. They found it was a useful evaluation of the technology supporting remote working and also an assessment the well-being of the investment professionals that they invest with, many of them had not experienced working away from an office environment before. These conversations provided comfort that the managers were able to continue managing the funds to meet their investment objectives.

Active engagements

During 2020, we started to record our active engagements on ESG matters. We recorded 26 occasions where we approached management with a specific suggestion for change, with the majority being with companies held in either the UK smaller companies, sustainable or ethical themed funds. Over half of the discussions were focused on governance issues such as board and remuneration.

Engagements were also focused on requests for improved environmental disclosures such as greenhouse gas emissions. We also had discussions on social and labour issues including gender pay and modern slavery. Just under half of the discussions were successful with management making changes aligned with our requests.

Active engagements by issue



Case study: We initiated an engagement with a global entertainment company in 2019, when we met the long standing chairperson of the board. We discussed business strategy and encouraged the company to be expand the licensing their intellectual property. We also highlighted succession planning for the chairperson who had exceeded the acceptable period of tenure as well as holding a large number of other directorships. We deemed the engagement successful during 2020, when the company entered into a licensing agreement for their intellectual property and recently appointed a new female chairperson.

Case study: We have continued to engage with a property company during the year. We had initially explained to them why we did not consider them investible due to high levels of debt. We also had reservations over the quality of the CEO. Over the year, following a number of disposals, their debt level reduced to an acceptable level and the CEO has been replaced by a strong internal candidate. As such, this company became a potential investment.

There are numerous outcomes and benefits our fund managers get from meeting companies, including through video or telephone meetings. We recognise the importance of encouraging increased company disclosures and other actions on ESG related issues. During the pandemic, continuing to be in close contact with company management has been important to monitor companies' performance in such difficult and unusual trading environments.

Principle 10; Collaboration

We have not actively collaborated with other investors during the year due to regulatory concerns around market abuse. Furthermore, there were few opportunities for us to do so . However, on further review and advice we are becoming more open to collaborating with other investors and will review each opportunity on a case by case basis. Clearly, we do collaborate across our own investment teams where more than one team invests in a company.

Case study: A number of our funds are invested in an investment trust which had a public disagreement between the board and the investment manager on the future direction of the trust. We spoke to the board and confirmed our support. As a significant shareholder we also contacted the manager and informed them of our support for the board and to urge their co-operation with board requests not to hold their dispute in public. Subsequently we noted that there have been no new public exchanges between the board and the manager and the relationship is much improved.

Principle 11; Escalation

As active managers, a disagreement on corporate strategy or risk mitigation with company management may lead us to sell our holding where we believe the issue could have a negative impact on the long term outcome for the business rather than escalating the issue.

Case study: We spoke to an online retailer frequently during the year on a number of issues relating to their supply chain management. Initial meetings with the newly appointed Head of Sustainability provided some comfort. However, on seeing reports in the press regarding issues in their supply chain, we had immediate follow up discussions and decided to sell our holding from the Premier Miton Ethical Fund, as our ESG assessment had changed and the company was no longer compliant with the fund’s ethical policy. The company has committed to make changes with the program underway. We continue to monitor the company's progress closely.

Exercising rights and responsibilities

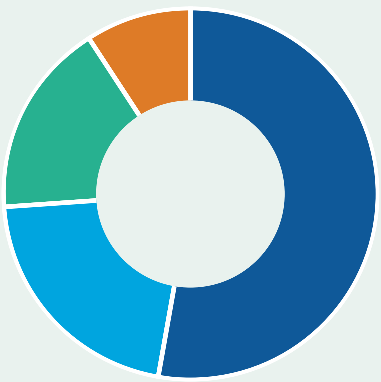
Principle 12; Exercising rights and responsibilities

We actively vote all corporate resolutions, unless it is not possible to do so, as it is an important part of our stewardship responsibilities. We receive voting recommendations from ISS Proxy Voting Services, a company which also actions voting decisions on our behalf. Our fund managers routinely review their recommendations before issuing final voting instructions. This review takes into account their knowledge of the investee company, the company structure, annual report disclosures and previous engagement dialogue.

The fund manager will discuss resolutions across investment teams with other fund managers that also hold shares in the company to ensure consistent voting where appropriate, although fund managers of different funds can make different decisions to ensure that actions are in the best interests of investors in those funds. The Head of Responsible Investing will also review voting decisions, where required. We updated our voting policy during the year to widen the scope to all markets and include fixed income investments and a section on climate risk. This policy and quarterly voting disclosure records are available on our website.

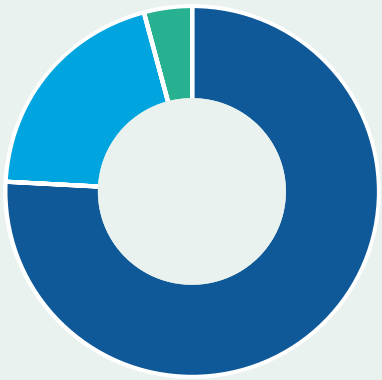
We aim to vote 100% of the shares held in the funds on all occasions. During the twelve months to the end of December 2020 we voted at 1,216 shareholder meetings, with 12,753 resolutions voted across all our funds, representing over 97% of all possible votes. In a small number of cases it was not possible to vote due to issues with voting documentation, when prevented from doing so or logistical problems with newly launched funds. Voting activity was similar to 2019 when we voted a combined 14,162 resolutions.

Voting by company location



UK	53%
Europe	21%
US	17%
Rest of the World	9%

Shareholder meeting by type



The majority of company meetings were annual meetings, although almost one quarter were special or other meetings, often driven by corporate activity such as mergers and acquisitions.

By asset class

We apply our voting policy across all assets including investment trusts, exchange traded funds (ETFs) and corporate bonds. In such cases we voted on 3,695 resolutions at 160 meetings, which represented just over 10% of all shareholder meetings for the group. We voted against management in a small number of cases (less than 1%) relating to director appointments and remuneration, as well as in response to generic resolutions of "transact other business" where we do not know in advance the content and vote against as a rule.

As we invest in investment trusts, we have the opportunity to vote on specialist situations such as winding up or continuation votes. These are often at the end of long discussions on areas such as fees, capital structure or directors positions. There were 19 continuation votes during the year and we voted for continuation in all but one situation.

Case study: In one asset class we have explored the potential impact for our voting decisions. The ETFs that we invest in hold annual shareholder meetings, however there is little transparency around the outcome of the votes plus we often have difficulties to actually vote due to financial penalties linked to settlement restrictions due to share blocking if we do vote. We will continue to monitor the situation and review whether voting these holdings is in the client's best interest.

Voting with management

As an active fund manager we will generally invest our clients' money in companies where we share the management's vision on corporate strategy, customer service and risk mitigation. For this reason, we would normally expect to support most management resolutions. Sometimes there are occasions when we take a different view on an aspect of the company strategy or a management proposal, and these are normally resolved in dialogue with the company. In some cases, where we remain unconvinced by the management's rationale, we vote our shareholding against the management resolutions.

96.5% of resolutions of votable proposals were voted in support of management.

Impact of proxy recommendations on our voting decisions

We review all the resolutions proposed, supported by our independent proxy voting service (ISS). This process highlights resolutions that are potentially controversial and often recommends that we should vote against. However, we often find that they do not apply enough weight to the 'comply or explain' aspect of the governance codes. Sometimes, there are good commercial and governance reasons why a business proposes something beyond the governance norms, often for a limited term. In 3.9% of resolutions, we differed from the ISS recommendations and voted with the managements' resolutions or voted against a resolution that ISS had considered acceptable.

Case study: Where there are potentially controversial votes against management, we aim to engage ahead of the meeting to fully understand the rationale and raise concerns if required. In one example, with a German industrial company, our proxy voting research highlighted concerns on director nominations. We understood through discussions with the company that the two proposed directors represented a strategic investor and that it was important to the company to have them on the board to support business relationships. We supported the resolution, but also suggested that an additional independent director should be added.

In another example, with a small company where we were a large investor, the proxy advice was to vote against remuneration policy and report due to excessive increases in remuneration . We engaged ahead of the Annual General Meeting and became aware that the Financial Director had been appointed CEO which had driven the pay rise, which we were satisfied with and supported the resolution. The resolution passed with some shareholder dissent and we realised that our votes are important and the pre-AGM engagement critical.

Votes against management

We vote against management for a number of reasons. During 2020, our two main reasons for voting against management concerned director nominations and remuneration. On director nominations, we voted against proposals where we believed that a board needed to improve independence or diversity. Differences of opinion over remuneration policies and reports led us to vote against management proposals.

Case study: In general, we believe levels of remuneration of the management teams of most larger UK companies are likely to be too high and we consistently vote against management remuneration proposals. We try to ensure that management is not excessively rewarded for doing an adequate job. Often we are one of only a few dissenting parties with the majority of the remuneration reports and policies being approved.

Shareholder resolutions

We remain cautious on many shareholder resolutions as, although we support increased disclosure on topics such as climate change and diversity, we do not feel comfortable that shareholders should be overly prescriptive on the individual metrics. We voted on 226 shareholder resolutions, of which the majority were in the US and supported 40% of those resolutions, specifically where they endorsed improved board governance by asking for independent chairpersons, improved shareholder rights or proxy access.

Climate & social resolutions

There are an increasing number of climate and social resolutions at AGMs which we support where possible. We had the opportunity to vote at 5 company meetings in Spain on accepting corporate sustainability reports (CSR), which we supported. In 2 company meetings we were pleased to support management's commitment to act on climate change.

Case study: At a Spanish infrastructure company that we invest in, a shareholder resolution requiring a climate transition plan was adopted by the board. We supported this and it has become a landmark vote as the first annual "say on climate" on climate transition action plans.

We reviewed 6 climate themed shareholder resolutions requesting reporting on action taken to meet global long-term temperature goals or taskforce of climate related financial disclosure (TCFD). We supported 2 of these but are aware that we need to increase our support of climate related resolutions where possible.

We reviewed 17 social themed shareholder resolutions and supported 10. A number of these related to human rights concerns at large US technology companies relating to staff as well as to product related impacts. We supported many of the social resolutions where they relate to widespread concerns on poor social practices and we are monitoring companies which must improve their practices to remain in the portfolio.

Voting outcomes

We monitor our voting activity each quarter through our internal governance structures. During the year, we have highlighted situations where we have either missed votes or not voted as actively as we could have. This provides continuous improvement in our active voting performance and ensures company management is monitored and a degree of enforcement of best practice.

Case study: One area where we see our voting as important is on mergers and acquisitions. In one situation we voted against a merger as the management incentive scheme which was part of the deal seemed particularly egregious. We concluded that the merger resulted in too much debt in the combined corporate structure. However, the takeover vote passed and we sold our investment soon afterwards.

Initiatives

We contribute to a select number of investment initiatives where we believe we can have an impact and where we believe it is helpful for our views to be heard:

- We support the work of the Investment Association, participating in a number of working groups, including the responsible investing fund level communication working group and the Sustainable Finance Disclosure Regulation implementation forum. We promote their work on the responsible investment framework internally and externally.
- We became a signatory to the United Nations Principles of Responsible Investing in January 2020. We encourage and support all of our third party managers in our multi manager funds to become signatories.
- We support the CFA certificate in ESG investing and a number of our staff have successfully passed the exam with more signed up for 2021.
- We participated in the CDP climate change assessment as a firm and we are considering joining as an investor signatory.

Focus for 2021

- Continue to develop our consideration of climate related financial risk in our portfolios including monitoring of fund carbon intensity and footprint as well as undertake a baseline carbon footprint of the entire investment portfolio.
- Grow our range of sustainable and ethical themed funds.
- Increase activity levels on active engagement and voting for the benefit of improved client outcomes over the long term. This is supported by a new corporate log released in 2021 to capture engagement activities and relevant ESG topics.
- Continue to assess the available collaborative engagement initiatives with the view to participate.

Internal Governance

This report has been agreed and approved by the Premier Miton Conduct & Policies Committee which oversees stewardship activities and and has been provided to the board of Premier Fund Managers Ltd.

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Contact us:

0333 456 9033

info@premiermiton.com

premiermiton.com

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