



**KERNOW**  
ASSET MANAGEMENT

# **Kernow Asset Management**

## PROXY VOTING POLICY

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## Document Governance

Document owner:


Name	Role
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This Policy sets out Kernow Asset Management (Kernow)'s commitment to its fiduciary obligation to vote proxies in the best interest of its clients. Corporate governance is of central importance in creating and protecting shareholder value and this Policy has been developed to explain how Kernow's investment managers use proxy voting as a means of promoting good corporate governance in investee companies.

Kernow is a responsible owner and does not outsource this critical function to a third-party service provider.

This Policy applies to all of the funds managed from time to time by Kernow.

This Policy has been developed in line with the Financial Reporting Council's (FRC's) Stewardship Principles. Kernow reviews this Proxy Voting Policy on an annual basis.

Kernow only makes investments into UK equities and as such this Policy is focused on UK investments only.

## **Governance and Engagement**


Kernow has a team of experienced and skilled investment professionals who consider the high level corporate governance arrangements of the companies they invest in and engage with the management of companies as appropriate to the size of Kernow's holding and to the size of the company.

Kernow as appropriate, engages with companies through both formal and informal channels including private meetings and attendance at company meetings. If concerns about an investee company arise, initial discussions would, if appropriate, take place on a confidential basis. However, if a board does not respond constructively and Kernow has concerns about the company's strategy, performance, governance, remuneration or approach to risks, then Kernow will consider whether to escalate its action, for example by:

- Holding additional meetings with management specifically to discuss concerns;
- Expressing concerns through the company's advisers;
- Meeting with the chairman, senior independent director, or with all independent directors;
- Making a public statement in advance of general meetings;
- Submitting resolutions and speaking at general meetings;
- Requisitioning an EGM, in some cases proposing to change board membership;
- or
- Alternatively, Kernow may decide to sell its interest in the company.

If concerns are not addressed to Kernow's satisfaction then Kernow may vote against management at a meeting.

## **Proxy voting process**



The Chief Investment Officer has oversight of the Kernow proxy voting process and is responsible for voting decisions.

Where Kernow is appointed investment manager in relation to funds, it generally has the right to exercise all votes in relation to equities held in those funds. Likewise, where Kernow acts as discretionary fund manager for a private client, it generally has the right to exercise all votes in relation to equities held in those funds, however, it will seek to comply with a client's instructions received when exercising voting rights attached to that client's securities.

In relation to UK equities held in funds, Kernow will seek to vote all shares held. Kernow's policy is not automatically to support the board; voting decisions are made by investment managers based on their knowledge of the company, an evaluation of the proposals.

## **Committee Oversight**

The Proxy Voting Policy activities are overseen by the Chief Investment Officer.

## **Attendance at Annual General Meetings & Other Meetings**

Kernow believes that voting at meetings is an important part of constructive engagement with investee companies. These votes are usually cast by proxy but Kernow may consider attending an AGM or other meeting if for example, it provides an opportunity to engage with senior management or members of the board on matters of interest.

## **Kernow's approach to voting**

Kernow votes on behalf of its clients according to 'approved guidelines'. These guidelines are reviewed annually by the Chief Investment Officer. The 'approved guidelines' determine whether the vote should be 'For', 'Against', or 'Abstain'. Votes are considered on a case-by-case basis which means that investment managers may not vote in line with the 'approved guidelines' where they have information which supports an alternative vote.

Kernow will generally vote as follows:

### **For**

- A resolution that is consistent with good corporate governance, is in line with best practice, and is in Kernow's clients' best long-term interests.

### **Against**

- A resolution is inconsistent with good corporate governance, is not in line with best practice, and is not in Kernow's clients' best long-term interests.
- A resolution on which Kernow has previously abstained where Kernow has reason to believe its concerns have not been addressed by the board.



## Abstain

- A resolution falls short of best practice, but the issue is not sufficiently material to oppose Management.
- A matter is material, although not fundamental, and Kernow has not previously raised the matter with the company.

Note that in certain limited circumstances there may be legal or operational reasons why Kernow may not be able to exercise votes on behalf of investors, for example where a Power of Attorney is required to be executed in an overseas jurisdiction, or where share blocking exists, in certain jurisdictions, to prevent trading in securities in the lead up to a vote.

## Conflicts of Interest

Kernow has established procedures which are designed to identify on an on-going basis any conflicts of interest that may arise.

Kernow has a Conflicts of Interest Policy which sets out its process for identifying and managing conflicts of interest and handling matters where the interests of individual clients differ.

The Conflicts of Interest Policy gives several examples of circumstances in which a conflict of interest may arise and how they would be addressed.

Where a fund manager or anyone else identifies a conflict of interest, Kernow's aim is always to put the clients' best interests first.


## Detailed Voting Guidelines

### Board of Directors

Kernow considers that the quality of the board is most important in making decisions that provide long term shareholder value. In assessing the quality of a board, Kernow may take into consideration such qualities as:

- The diversity of the board members;
- The number of meetings held per year;
- The number of non-executive directors in relation to the size and complexity of the business;
- The independence of the Chairperson or Senior Independent Director;
- The time commitments of directors;
- The re-election process to the board, and suitability of candidates for (re) election; and
- The composition of the board's sub-committees

Kernow may vote against the board in certain situations, including:

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- Material concerns persist in respect of the board or sub-committee composition;
  - The election is for a non-executive director who is not considered independent where there are insufficient independent directors on the board;
  - If Kernow has concerns about the time commitments of a non-executive director, for example, they are members of many boards or do not attend sufficient meetings;
  - If Kernow has concerns over the independence of the Chairperson or Senior Independent Director;
  - Where there are concerns about a proposed board member's suitability; or
  - Where the Chairman and Chief Executive Officer is the same person.

## **Remuneration**

Kernow considers that remuneration should promote good corporate governance and the long-term success of a company. In assessing the effectiveness of a remuneration policy, Kernow may consider the following:

- The complexity and clarity of the remuneration policy; and/or
- The level and ratio of executive remuneration to employee remuneration proposed and the level of executive remuneration proposed compared to the company's performance.


Kernow may vote against management where:

- The remuneration policy is complex, there are concerns with the structure of the remuneration scheme(s) or the policy allows for excessive remuneration;
- The level of remuneration proposed is not aligned with the company's performance;
- Where Kernow has concerns about the remuneration practices it may vote against the re-election of the Remuneration Committee or some members of the Committee;
- The independence of the Remuneration Committee is compromised;
- Other benefits are proposed such as bonus or pension payments or share ownership, conferred under the Remuneration Policy and which are considered excessive or not aligned with good corporate governance or best practice;
- Other payments are awarded which are not necessarily contractual such as 'golden hellos', ex-gratia payments, 'golden handshakes' etc.; or
- Excessive payments are made on the company terminating a director's contract, particularly in the case of underperformance.

## **Audit Function**

Kernow considers that appointed auditors should be fully independent and that there should be no issues which could compromise that independence.

Kernow may vote against the appointment of an auditor where:

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- It has concerns about the independence of the auditor e.g. the auditor has carried out substantial and/or sustained consultancy work;
  - Concerns have been raised about the auditor's practice or where there have been cases of negligence or wrong doing; or
  - Where the same auditor has been appointed over several years with no review of the auditor, their independence or suitability.

## **Share Capital**

Kernow will consider the terms of the proposal to issue or buy back shares and whether those shares have pre-emption rights.

Kernow may consider the following when voting on matters relating to shares:

- The amount of shares the company proposes to issue or buy back; and
- The voting right attached to the proposed share issue.

Kernow may vote against proposals involving shares where:

- The authorisation exceeds the 5-percent limit for share issuances without pre-emptive rights;
- The issue of equity with pre-emptive rights exceeds the recommended limits; or
- The repurchase does not comply with Listing Rule guidelines.

## **Report and Accounts**

Kernow expects the Report and Accounts to be clear and transparent as far as is possible considering any commercial sensitivities faced by the investee company.


Kernow believes that the Report and Accounts should provide sufficient information of all the relevant and important issues that have arisen in the previous year and the sufficient information to determine whether the investee company has met its performance targets and objectives.

Kernow may consider the following when voting on the report and accounts:

- The frequency of the investee company's reporting;
- The clarity and transparency of the content of reports; and
- An assessment of the investee company's impact on shareholders and stakeholders e.g. environmental impacts, taking into account the size and complexity of the company.

Kernow may vote against approval of the report and accounts where:

- There have been breaches of corporate governance;

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- There are concerns that have not/are not being addressed to Kernow's satisfaction e.g. changes in strategy that increase environmental concerns.

## **Environmental, Social and Corporate Governance**

Kernow may consider Environmental, Social and Corporate governance matters (ESG) when deciding on voting activity. Where there are significant concerns, Kernow will usually seek to engage with the investee company and try to influence their approach.

Where the investee company does not engage or is not able to satisfy Kernow that it is acting appropriately in the circumstances, Kernow may vote against management. ESG matters are considered on a case-by-case basis.

Kernow seeks to consider all the information to hand before voting. As such some proposals will be decided on a case-by case basis, always considering the best interests of its clients. Where an investee company provides sufficient information to Kernow on a matter, Kernow may decide to vote for a resolution which ordinarily it would vote against or abstain. This practice is an important factor of Kernow's fiduciary obligation to act in the best interests of the client.

If you require any more information on this policy, please email [alyx@kernowam.com](mailto:alyx@kernowam.com).

Issued by Kernow. Kernow is registered in England with company number 12230052 at 51 St Mary's Road, Tonbridge, Kent, TN9 2LE