



CORPORATE GOVERNANCE: HALF YEAR VOTING REVIEW

As part of our ongoing commitment to transparency regarding our proxy voting activities, we report on our voting for the period January – June 2015. This is a supplement to our main annual voting and engagement review which is published in the first quarter of the year.

CORPORATE GOVERNANCE AND COMPANY ENGAGEMENT

Rathbone Investment Management is one of the UK's largest and longest-established providers of personalised discretionary investment services. Rathbones manages funds for individuals, charities and trustees, and is part of Rathbone Brothers Plc, an independently-owned company with a listing on the London Stock Exchange.

Rathbone Unit Trust Management Limited is the unit trust management arm of Rathbone Brothers Plc. Rathbone Unit Trust Management offers a range of equity and bond unit trusts and a multi asset portfolio (consisting of three sub-funds) to meet clients' capital growth and income requirements. Rathbone Unit Trust Management specialises in investment management for the retail investor and segregated institutional accounts.

We believe it is in the best interests of our clients for the companies in which we invest to adopt best practice in corporate governance because it provides a framework in which each company can be managed in the long-term interests of its shareholders.

We have developed a bespoke corporate governance policy which builds on established best practice, compliant with and inspired by the provisions of the UK Corporate Governance Code and the AIC Code of Corporate Governance which covers investment trusts. Voting in line with the policy on our most widely held stocks helps us execute our responsibilities under the UN-backed Principles for Responsible Investment, of which we have been signatories to since 2009.

2015 H1 VOTING REVIEW

In the first six months of 2015 we voted on 2,730 resolutions at 232 companies.

HALF YEAR VOTING SUMMARY 2015

Period 1 January 2015 - 30 June 2015

Total number of meetings during the period	232
Total number of resolutions	2,730
Resolutions voted for	2,670
Resolutions voted Abstain	23
Resolutions voted Against	37
Total number of shares voted at all meetings	1,460,978,667
Total number of shares voted For	1,339,968,810
Total number of shares voted Abstain on any resolution	156,104,107
Total number of shares voted Against on any resolution	120,307,860
Voting resolution Referrals not covered by RIM voting policy	184
CGC voting resolutions submissions contrary to RIM voting policy	54

CASE STUDIES

Board independence and performance oversight

Alliance Trust Plc

The company was the target of an activist investor during the last year. Elliott Advisors built up a significant stake in the company, and sought to nominate three directors to the group's board at the 2015 AGM. We met with the chairman and the CEO of Alliance Trust and representatives from Elliott. The management were of the view that the three nominees should not be considered independent because of their links to Elliott Advisors, and due to the unusual process surrounding their nomination. We wrote to the independent members of the board to encourage renewed dialogue, and expressed our support for more independent oversight in order to better promote shareholders' interests.

The management stated that it believed that Elliott Advisors were intending to exit their investment on favourable terms by forcing through a tender to the detriment of tax constrained longer term holders such as Rathbones' clients. Even if such a tender were proposed by the three nominees, the remaining seven directors should be able to ensure that due process is followed. We sought assurances from the independent members of the board that the best interests of all shareholders would be considered in the event of a tender.

We intended to support the election of the three nominees at the 2015 AGM. However, a compromise deal was reached under which two of the nominees were invited to join the board. Additionally, the management were given until the 2016 AGM to resolve the board and performance issues. We met with the Chairman in July 2015 to further discuss our concerns, and make suggestions for the reform of the board's structure in order to restore faith in the independence of the management.

CASE STUDIES

Accounting standards and dividend cover

GSK Plc

We support companies that act in line with recommended best practice as outlined by the Financial Reporting Council. Therefore, we become concerned when companies begin to use financial indicators which differ from those outlined in the UK GAAP Financial Reporting Standards. However, the use of such differentiated metrics can be justified in certain circumstances, and can be accounted for under Governance best practice using the 'Comply or Explain' rule.

Bearing this in mind we sought clarification for the justification of GSK's continued use of adjusted core earnings, both as it relates to the calculation of executive remuneration and in the calculation of dividend cover. This is especially important for a private client asset manager such as Rathbones, since we represent a large number of smaller investors. In the course of our analysis, we require high levels of transparency when assessing the company's ability to finance the dividend as well as funding future growth opportunities. The issue has become more concerning following the various fines incurred by the company in recent years. We wrote to the management to encourage adoption of best practice in the adoption accounting standards, and to make a clearer rationale for its current approach to adjusting earnings figures.

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