# North East Scotland Pension Fund

## PROXY VOTING REVIEW

PERIOD 1st October 2022 to 31st December 2022

# Contents

# 1 Resolution Analysis

- Number of resolutions voted: 136 (note that it MAY include non-voting items).
- Number of resolutions supported by client: 91
- Number of resolutions opposed by client: 34
- Number of resolutions abstained by client: 7
- Number of resolutions Non-voting: 3
- Number of resolutions Withheld by client: 1
- Number of resolutions Not Supported by client: 0

## 1.1 Number of meetings voted by geographical location

| Location | Number of Meetings Voted |
|---|---|
| UK & BRITISH OVERSEAS | 9 |
| EUROPE & GLOBAL EU | 1 |
| USA & CANADA | 3 |
| TOTAL | 13 |

## 1.2 Number of Resolutions by Vote Categories

| Vote Categories | Number of Resolutions |
|---|---|
| For | 91 |
| Abstain | 7 |
| Oppose | 34 |
| Non-Voting | 3 |
| Not Supported | 0 |
| Withhold | 1 |
| US Frequency Vote on Pay | 0 |
| Withdrawn | 0 |
| TOTAL | 136 |

## 1.3 Number of Votes by Region

| | For | Abstain | Oppose | Non-Voting | Not Supported | Withhold | Withdrawn | US Frequency Vote on Pay | Total |
|---|---|---|---|---|---|---|---|---|---|
| UK & BRITISH OVERSEAS | 67 | 6 | 28 | 0 | 0 | 0 | 0 | 0 | 101 |
| EUROPE & GLOBAL EU | 6 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 9 |
| USA & CANADA | 18 | 1 | 6 | 0 | 0 | 1 | 0 | 0 | 26 |
| TOTAL | 91 | 7 | 34 | 3 | 0 | 1 | 0 | 0 | 136 |

## 1.4 Votes Made in the Portfolio Per Resolution Category

| | Portfolio | | | | | | |
|---|---|---|---|---|---|---|---|
| | For | Abstain | Oppose | Non-Voting | Not Supported | Withheld | Withdrawn |
| All Employee Schemes | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Reports | 3 | 3 | 7 | 0 | 0 | 0 | 0 |
| Articles of Association | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Auditors | 7 | 0 | 6 | 0 | 0 | 0 | 0 |
| Corporate Actions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate Donations | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Debt & Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Directors | 49 | 3 | 11 | 0 | 0 | 1 | 0 |
| Dividend | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Executive Pay Schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 8 | 0 | 0 | 0 | 0 | 0 | 0 |
| NED Fees | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Non-Voting | 0 | 0 | 0 | 3 | 0 | 0 | 0 |
| Say on Pay | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Share Capital Restructuring | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share Issue/Re-purchase | 8 | 0 | 7 | 0 | 0 | 0 | 0 |
| Shareholder Resolution | 5 | 0 | 1 | 0 | 0 | 0 | 0 |

## 1.5 Votes Made in the UK Per Resolution Category

| | UK | | | | | | |
|---|---|---|---|---|---|---|---|
| | For | Abstain | Oppose | Non-Voting | Not Supported | Withheld | Withdrawn |
| Annual Reports | 2 | 3 | 0 | 0 | 0 | 0 | 0 |
| Remuneration Reports | 0 | 0 | 5 | 0 | 0 | 0 | 0 |
| Remuneration Policy | 1 | 0 | 2 | 0 | 0 | 0 | 0 |
| Dividend | 6 | 0 | 0 | 0 | 0 | 0 | 0 |
| Directors | 34 | 3 | 7 | 0 | 0 | 0 | 0 |
| Approve Auditors | 0 | 0 | 5 | 0 | 0 | 0 | 0 |
| Share Issues | 8 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share Repurchases | 0 | 0 | 5 | 0 | 0 | 0 | 0 |
| Executive Pay Schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| All-Employee Schemes | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Political Donations | 1 | 0 | 1 | 0 | 0 | 0 | 0 |
| Articles of Association | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mergers/Corporate Actions | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Meeting Notification related | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| All Other Resolutions | 8 | 0 | 3 | 0 | 0 | 0 | 0 |
| Shareholder Resolution | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## 1.6 Votes Made in the US/Global US & Canada Per Resolution Category

| | US/Global US & Canada | | | | | | |
|---|---|---|---|---|---|---|---|
| | For | Abstain | Oppose | Non-Voting | Not Supported | Withheld | Withdrawn |
| All Employee Schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Reports | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Articles of Association | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Auditors | 2 | 0 | 1 | 0 | 0 | 0 | 0 |
| Corporate Actions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate Donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt & Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Directors | 11 | 0 | 4 | 0 | 0 | 1 | 0 |
| Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Executive Pay Schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NED Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Voting | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Say on Pay | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Share Capital Restructuring | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share Issue/Re-purchase | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## 1.7 Shareholder Votes Made in the US Per Resolution Category

| | US/Global US and Canada | | | | | | |
|---|---|---|---|---|---|---|---|
| | For | Abstain | Oppose | Non-Voting | Not Supported | Withheld | Withdrawn |
| Social Policy | | | | | | | |
| Human Rights | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| Employment Rights | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Corporate Governance | | | | | | | |
| Other | 0 | 1 | 0 | 0 | 0 | 0 | 0 |

## 1.8 Votes Made in the EU & Global EU Per Resolution Category

| | EU & Global EU | | | | | | |
|---|---|---|---|---|---|---|---|
| | For | Abstain | Oppose | Non-Voting | Not Supported | Withheld | Withdrawn |
| All Employee Schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Reports | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Articles of Association | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Auditors | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate Actions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate Donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt & Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Directors | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Executive Pay Schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| NED Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Voting | 0 | 0 | 0 | 3 | 0 | 0 | 0 |
| Say on Pay | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share Capital Restructuring | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share Issue/Re-purchase | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shareholder Resolution | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## 1.9 Votes Made in the Global Markets Per Resolution Category

| | Global Markets | | | | | | |
|---|---|---|---|---|---|---|---|
| | For | Abstain | Oppose | Non-Voting | Not Supported | Withheld | Withdrawn |
| All Employee Schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Reports | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Articles of Association | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Auditors | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate Actions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate Donations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt & Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Directors | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Executive Pay Schemes | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NED Fees | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Voting | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Say on Pay | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share Capital Restructuring | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Share Issue/Re-purchase | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Shareholder Resolution | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## 1.10 Geographic Breakdown of Meetings All Supported

SZ

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 0 | 0 | 0 | 0 |

AS

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 0 | 0 | 0 | 0 |

UK

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 9 | 4 | 0 | 4 |

EU

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 1 | 0 | 0 | 0 |

SA

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 0 | 0 | 0 | 0 |

GL

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 0 | 0 | 0 | 0 |

JP

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 0 | 0 | 0 | 0 |

US

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 3 | 1 | 1 | 0 |

TOTAL

| Meetings | All For | AGM | EGM |
|---|---|---|---|
| 13 | 5 | 1 | 4 |

## 1.11 List of all meetings voted

| Company | Meeting Date | Type | Resolutions | For | Abstain | Oppose |
|---|---|---|---|---|---|---|
| DIAGEO PLC | 06-10-2022 | AGM | 22 | 16 | 1 | 5 |
| HARGREAVES LANSDOWN PLC | 19-10-2022 | AGM | 20 | 15 | 2 | 3 |
| RIO TINTO PLC | 25-10-2022 | EGM | 2 | 2 | 0 | 0 |
| ABCAM PLC | 11-11-2022 | EGM | 1 | 1 | 0 | 0 |
| JUST EAT TAKEAWAY.COM N.V. | 18-11-2022 | EGM | 9 | 6 | 0 | 0 |
| GENUS PLC | 23-11-2022 | AGM | 18 | 10 | 1 | 7 |
| AVEVA GROUP PLC | 25-11-2022 | EGM | 1 | 1 | 0 | 0 |
| AVEVA GROUP PLC | 25-11-2022 | COURT | 1 | 1 | 0 | 0 |
| RENISHAW PLC | 30-11-2022 | AGM | 16 | 7 | 2 | 7 |
| AFFIRM HOLDINGS INC | 05-12-2022 | AGM | 4 | 3 | 0 | 1 |
| PELOTON INTERACTIVE INC | 06-12-2022 | AGM | 2 | 2 | 0 | 0 |
| SOFTCAT PLC | 13-12-2022 | AGM | 20 | 14 | 0 | 6 |
| MICROSOFT CORPORATION | 13-12-2022 | AGM | 20 | 13 | 1 | 6 |

## 2 Notable Oppose Vote Results With Analysis

Note: Here a notable vote is one where the Oppose result is at least 10%.

**DIAGEO PLC AGM - 06-10-2022**

14. *Re-elect Ireena Vittal - Non-Executive Director*
Independent Non-Executive Director.

Vote Cast: *For* Results: For: 81.3, Abstain: 8.7, Oppose/Withhold: 10.0,

**HARGREAVES LANSDOWN PLC AGM - 19-10-2022**

6. *Re-elect Deanna Oppenheimer - Chair (Non Executive)*
Non-Executive Chair of the Board. As the Chair of the Sustainability Committee is not up for election, the Chair of the Board is considered accountable for the Company's sustainability programme. As the Company's sustainability policies and practice are not considered adequate to minimise the material risks linked to sustainability an abstain vote is recommended.

Vote Cast: *Abstain* Results: For: 65.5, Abstain: 1.5, Oppose/Withhold: 33.0,

13. *Re-elect Moni Mannings - Non-Executive Director*
Independent Non-Executive Director.

Vote Cast: *For* Results: For: 73.8, Abstain: 0.7, Oppose/Withhold: 25.5,

**AVEVA GROUP PLC EGM - 25-11-2022**

1. *Approve the authority to Directors to implement the Scheme of Arrangements & Adopt New Articles of Association*
It is proposed to the shareholders to approve for the purpose of giving effect to the scheme of arrangement dated 18 October 2022 between the Company and the holders of the Scheme Shares, the Directors of the Company to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect and with effect from the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new article 157: 157.1) For the purposes of this Article 157: A) "AVEVA Scheme" means the scheme of arrangement dated 18 October 2022 under Part 26 of the 2006 Act between the Company and the Scheme Shareholders in its original form or with or subject to any modification, addition or condition approved or imposed by the High Court of Justice of England and Wales and B) "Bidco" means Ascot Acquisition Holdings Limited, a company incorporated in England and Wales (company number 14356414), whose registered office is at Schneider Electric, Stafford Park 5, Telford, England, United Kingdom, TF3 3BL, 157.2) Notwithstanding any other provision of these Articles, if the Company issues any shares (other than to Bidco, any subsidiary of Bidco or any nominee(s) of Bidco) after the adoption of this Article 157 and prior to the Scheme Record Time (as defined in the AVEVA Scheme), such shares shall be issued subject to the terms of the AVEVA Scheme and the holders of such shares shall be bound by the AVEVA Scheme accordingly, 157.3) Notwithstanding any other provision of these Articles, subject to the AVEVA Scheme becoming

effective, any shares issued to any person (other than to Bidco, any subsidiary of Bidco or any nominee(s) of Bidco) at or after the Scheme Record Time shall be issued on terms that they shall (on the Effective Date or, if later, on issue) (but subject to the terms of Article 157.4 below), be immediately transferred to Bidco , who shall be obliged to acquire each Post-Scheme Share in consideration for and conditional upon the payment by or on behalf of Bidco to the New Member of an amount in cash for each Post-Scheme Share equal to the consideration to which a New Member would have been entitled had such Post-Scheme Share been a Scheme Share, 157.4) On any reorganisation of, or material alteration to, the share capital of the Company (including, without limitation, any subdivision and/or consolidation) carried out after the Effective Date, the value of the consideration per Post-Scheme Share to be paid under Article 157.3 shall be adjusted by the Company in such manner as the auditors of the Company (or such other appropriate professional adviser appointed by the Company) may determine to be appropriate to reflect such reorganisation or alteration. References in this Article 157 to such shares shall, following such adjustment, be construed accordingly. 157.5) To give effect to any transfer of Post-Scheme Shares required pursuant to this Article 157, the Company may appoint any person as attorney and/or agent for the New Member to transfer the Post-Scheme Shares to the Purchaser and/or its nominees and do all such other things and execute and deliver all such documents or deeds as may in the opinion of such attorney or agent be necessary or desirable to vest the Post-Scheme Shares in the Purchaser and pending such vesting to exercise all such rights attaching to the Post-Scheme Shares as the Purchaser may direct. If an attorney or agent is so appointed, the New Member shall not thereafter be entitled to exercise any rights attaching to the Post-Scheme Shares unless so agreed in writing by the Purchaser. The attorney or agent shall be empowered to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member in favour of the Purchaser and the Company may give a good receipt for the consideration for the Post-Scheme Shares and may register the Purchaser as holder thereof and issue to it certificate(s) for the same. 157.6) If the AVEVA Scheme shall not have become effective by the applicable date referred to in (or otherwise set in accordance with) clause 6(b) of the AVEVA Scheme, this Article 157 shall cease to be of any effect, 157.7) Notwithstanding any other provision of these Articles, both the Company and the board of directors shall refuse to register the transfer of any Scheme Shares (as defined in the AVEVA Scheme) effected between the Scheme Record Time and the Effective Date (each, as defined in the AVEVA Scheme). This proposal is considered to be a technical item in order to publish a new version of the Articles, including the proposed amendments. Support is recommended.

Vote Cast: *For* Results: For: 86.4, Abstain: 0.1, Oppose/Withhold: 13.5,

**AVEVA GROUP PLC COURT - 25-11-2022**

1. *Approve Scheme of Arrangement*

**Introduction & Background:** On 21 September 2022 the boards of Schneider Electric SE (Schneider Electric) and Ascot Acquisition Holdings Limited (Bidco), and the AVEVA Independent Committee, announced that they had reached agreement on the terms of a recommended cash acquisition by which the entire issued and to be issued share capital of AVEVA (excluding AVEVA Shares held by Samos, an indirect wholly-owned subsidiary of Schneider Electric) will be acquired by Bidco. Samos has a majority stake in AVEVA, holding 178,573,525 AVEVA Shares, representing approximately 59.13% of the issued ordinary share capital of AVEVA. Bidco is a newly incorporated vehicle and is an indirect, wholly owned subsidiary of Schneider Electric that has been incorporated for the purpose of the Acquisition. Over the past five years AVEVA has undergone a period of significant transformation and rapid growth. Between March 2017 and March 2022, AVEVA's revenues have grown from approximately GBP 216 million to over GBP 1.2 billion on a pro forma basis, driven by organic growth and supported by two transformative and value-enhancing acquisitions, being the combination with Schneider Electric Software in 2018 and the acquisition of OSIsoft in 2021. Pursuant to the combination of Schneider Electric Software and AVEVA in 2018, AVEVA shareholders received a return of value, equivalent to GBP 1,015 pence in cash per share (equivalent to 53% of the undisturbed share price at the time), of which 859 pence per share was contributed by Schneider Electric in consideration of it acquiring a controlling equity stake of approximately 60% in the combined AVEVA Group.

**Proposal:** Under the terms of the Acquisition, Scheme Shareholders at the Scheme Record Time will receive: for each Scheme Share GBP 3,225 pence in cash. The Acquisition values the entire issued and to be issued share capital of AVEVA at approximately GBP 9,863 million on a fully diluted basis. In addition, any interim dividend of up to GBP 13 pence per AVEVA Share which is declared by the board of AVEVA and paid in respect of the six-month period ending 30 September 2022,will

be paid to AVEVA Shareholders without any reduction in the Consideration.
**Rationale:** The AVEVA Independent Committee recognises the increasingly challenging external environment, including: ongoing economic, regulatory and geopolitical risks; the multi-year transition to a SaaS operating model and investment needed to successfully transition (particularly in the public markets); the impact of inflation on our cost base; and the current trading performance of AVEVA. Such factors have impacted current trading, and share price performance, in the year-to-date. Furthermore, the AVEVA Independent Committee notes that the Acquisition represents: i) an opportunity for AVEVA Shareholders to realise and crystallise their investment in AVEVA in cash in the near-term at a significant premium to the prevailing market price prior to the commencement of the Offer Period, ii) a premium of approximately 47% to the Closing Price of GBP 2,192 pence per AVEVA Share on 23 August 2022, iii) a premium of approximately 38% to the volume-weighted average Closing Price of GBP 2,339 pence per AVEVA Share for the three-month period ended 23 August 2022 iv) a premium of approximately 37% to the volume-weighted average Closing Price of GBP 2,347 pence per AVEVA Share for the six-month period ended 23 August 2022 and v) g an enterprise value of GBP 10,569 million, equivalent to a multiple of 13.7x enterprise value to ARR, 8.6x enterprise value to pro forma revenue, and 28.9x enterprise value to pro forma Adjusted EBIT, in each case for the financial year ended 31 March 2022.
**Recommendation:** Such proposals are considered on the basis of whether they are deemed fair, whether they have been adequately explained, and whether there is sufficient independent oversight of the recommended proposal. The circular contains full details of the transaction and there is a sufficient balance of independence on the board. This provides assurance that the decision was taken with appropriate independence and objectivity. Therefore, support is recommended.

Vote Cast: *For* Results: For: 83.5, Abstain: 0.0, Oppose/Withhold: 16.5,

**RENISHAW PLC AGM - 30-11-2022**

6. *Re-elect Sir David McMurtry - Chair (Executive)*
Executive Chair. It is a generally accepted norm of good practice that the Chair of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this. Opposition is recommended.

Vote Cast: *Oppose* Results: For: 70.2, Abstain: 0.1, Oppose/Withhold: 29.7,

7. *Re-elect John Deer - Vice Chair (Non Executive)*
Non-Executive Vice Chair. Not considered independent as Mr Deer is a former executive of the company. In addition, Mr Deer with his wife Mrs M. E Deer controls 16.59% of the issued share capital of the Company. There is insufficient independent representation on the Board. Therefore opposition is recommended.

Vote Cast: *Oppose* Results: For: 74.1, Abstain: 0.1, Oppose/Withhold: 25.8,

**MICROSOFT CORPORATION AGM - 13-12-2022**

2. *Advisory Vote on Executive Compensation*
The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: ACB. Based on this rating, abstention is recommended.

Vote Cast: *Abstain* Results: For: 88.3, Abstain: 0.6, Oppose/Withhold: 11.1,

4. *Shareholder Resolution: Diversity and Inclusion Cost/Benefit Analysis Proposal*

**Proponent's argument:** Ridgeline Research requested that Microsoft issue a public report prior to December 31, 2022, omitting confidential and privileged information and at a reasonable expense, detailing a cost vs. benefits analysis of Microsoft's Global Diversity & Inclusion efforts. "We view Microsoft as being organized to provide the best quality goods and services to its customers while maximizing the return to the investors who fund the Company. As with any corporate initiative, prioritizing diversity comes with a cost. It's clear that Microsoft's Diversity & Inclusion program (D&I) is a major strategic initiative and as shareholders we feel the Global Diversity & Inclusion Report (2021), lacks a complete analysis of the quantified net benefit to shareholders, costs, and risks and is thus incomplete. Given the substantial resources committed to the program, as well as its visibility and importance, as shareholders we feel its net benefit should be measured and quantified using sound financial analysis. Without establishing such a full business justification, the program's benefit to shareholders, as well as its sincerity and motives are in doubt."

**Company's response:** The board recommended a vote against this proposal. "In short, Microsoft does not provide detailed cost-benefit analyses of other aspects of running our business and believes it is unnecessary and indeed counter-productive to single out our diversity and inclusion commitments and programs for a public justification, particularly when we believe this request is motivated by an animosity to diversity and inclusion commitments on behalf of the proponents. [...]Beyond enabling us to fulfill our mission, our commitments to diversity and inclusion are essential to attracting and retaining world class talent, maintaining regulatory compliance and our license to operate around the globe, meeting growing societal expectations, and meeting rising customer and shareholder expectations. As a strategic business priority, diversity and inclusion are factors in the operational assessment portion of Microsoft's executive compensation program to determine the annual cash bonus the CEO and entire Senior Leadership Team receive."

**PIRC analysis:** The potential benefits of staff diversity lie in widening the perspectives on human resources brought to bear on decision-making, avoiding too great a similarity of attitude and helping companies understand their workforces as a kaleidoscope of customers, marketplace, supply chain and society as a whole. Disclosure surrounding the company's staff composition allows shareholders to consider diversity in the context of the long-term interests of the company, including the ability to attract and retain key talent. Disclosure of a policy to improve diversity and goals that have been set to meet this policy also reassures shareholders that a diverse board is not just an aspiration but a goal. However, this resolution appears to be filed by a right-wing policy think tanks as a spoiler resolution to prevent other shareholders from filing resolutions regarding the company's diversity and focuses on financial analysis with the clear intent to ensure that conservative views are represented on the board as well as so-called liberal perspectives. In addition, its focus on costs and benefits appears to be flawed and artificially focusing on the short-term costs, while deliberately ignoring the long-term impacts from effective diversity and inclusion at the company. A vote against the resolution is recommended.

Vote Cast: *Oppose* Results: For: 1.3, Abstain: 0.8, Oppose/Withhold: 98.0,

5. *Shareholder Resolution: Eliminating Discrimination through Inclusive Hiring*

**Proponent's argument:** NorthStar Asset Management requested that the Board of Directors prepare a report analyzing whether Microsoft hiring practices related to people with arrest or incarceration records are aligned with publicly stated DEI (diversity, equity, and inclusion), racial equity, or criminal justice reform goals, and other public statements such as the Fair Chance Business Pledge. "Employing formerly incarcerated people can benefit companies. The tight tech labor market means that employers must "not only rewrite the hiring and retention playbook but also cast a wider net by diversifying the technology talent pool." Concurrently, companies, including Microsoft, seek to implement racial equity commitments. Given the disproportionately high incarceration rates of Black and Brown people in the U.S. and case study evidence that formerly incarcerated employees can have lower turnover and better attendance and disciplinary records compared to their peers without criminal records, recruiting fair chance employees can help ease labor market constraints and advance racial equity goals. [...] Despite signing the Fair Chance Business Pledge in 2015 and joining the Second Chance Business Coalition, Microsoft has not implemented comprehensive fair chance employment practices. For example, while it has eliminated questions about criminal convictions from job applications, this is only a first step that is already required of federal contractors and mandated by law in locations that cover 80% of the U.S. population."

**Company's response:** The board recommended a vote against this proposal. "The Company has multiple safeguards to prevent the disqualification of job candidates because of a criminal record or prior incarceration where not directly relevant to the position. In terms of our hiring processes in the U.S., Microsoft does not have any automatic, across-the-board exclusions for criminal convictions that would disqualify or limit employment opportunities. We state that in every job posting and we don't ask any questions about criminal convictions prior to a conditional offer of employment (unless otherwise legally required to do so). After an employment offer, criminal convictions may impact whether we on-board a new hire if the conviction is determined to be job-related. Microsoft conducts an individualized assessment where the individuals are informed that they may be excluded because of past criminal conduct; provides an opportunity to them to demonstrate that the exclusion does not properly apply; and considers whether the individual's additional information shows that the policy as applied is not job-related and consistent with business necessity. Microsoft's review process is robust and involves discussions with multiple stakeholders before making the final determination of whether to proceed with onboarding. There is also an escalation path to challenge the determination"
**PIRC analysis:** According to the US Chamber of Commerce, an estimated 70 million people in the U.S. have an arrest or conviction record, one in three black men, and over 600,000 men and women are released from jail each year. Empirical evidence suggests that candidates with criminal backgrounds who are re-employed are less prone to recidivism and produce positive spill-over's such as developing human capital at their communities overall. Together with the intensification of the worker shortage crisis, ongoing since 2021, second-chance hiring appears to be a policy that brings value not only for small merchants, but also for large firms. Companies like Walmart, Starbucks and Home Depot have recently updated their hiring practices to include people with criminal records, while JPMorgan Chase recognised the value from this labour group has to offer. Second-chance hiring is not only aiming at preventing negative screening, rather a specific framework that allows companies, among other, to apply for the federal Work Opportunity Tax Credit, which gives employers who hire a qualified ex-felon a tax credit of up to 25% of their first year's wages if the employee works at least 120 hours, and 40% if they work over 400. The company appears to have safeguards in place, to not exclude candidates based on criminal records. While this is welcomed, it still falls short in regards to looking specifically to employ people with criminal background. As such, this proposal is considered to be in the company's best interest in order to uphold its diversity and have a positive impact in its communities.

Vote Cast: *For* Results: For: 10.8, Abstain: 1.2, Oppose/Withhold: 88.0,

6. *Shareholder Resolution: Report on Retirement Plan Options Aligned with Company Climate Change Goals*
**Proponent's argument:** As You sow requested the board provide a report assessing how the Company's 401(k) retirement funds manage the growing systemic risk to the economy created by investing retirement plan funds in companies contributing significantly to climate change. "Microsoft uses BlackRock LifePath funds as its 401(k) Plan's default retirement options, resulting in the vast majority of the $38 billion employee retirement dollars of its 401(k) Plan, as of December 31, 2020, invested in funds that hold companies that create substantial climate risk. A recent scorecard, produced by investor representative As You Sow, shows that the Microsoft 401(k) default option is rated Poor due to significant investments in fossil fuel companies and companies that cause deforestation risk. While Microsoft allows employees to use a "self-directed" investment option to choose other funds, only 6 percent of employee retirement funds are invested outside the Plan. In polls with investors broadly, more than 70 percent say that they would like to invest sustainably and, specifically, not in oil, coal, and deforestation. In the increasingly competitive employee retention and recruitment landscape, failing to provide climate-safe retirement plan options may also make it more difficult for Microsoft to attract and retain top talent. Given the threat that climate change poses to workers' life savings, Microsoft should demonstrate that it is safeguarding employee financial security over time by mitigating climate change-related financial and economic risks as part of a prudently constructed lineup of funds. Failing to satisfy this basic duty could be a liability for the Company, creating reputational risk and making it more difficult to retain employees increasingly concerned about catastrophic climate impacts."
**Company's response:** The board recommended a vote against this proposal. "Recognizing the diverse interests of employees and participants in having access to a wide range of additional investment options and strategies, including funds focused on green energy and other ESG initiatives, the Microsoft 401(k) plan's self-directed brokerage window offers hundreds of ESG-themed options. The plan also has made a number of enhancements to streamline and simplify the process of enrolling in the self-directed brokerage window and filtering available investment options to identify those that are classified as ESG-themed. For example, Microsoft worked with the plan's recordkeeper to facilitate a one-click search tool to identify the numerous "Socially Responsible Investment" options that are available, and regular email communications to plan participants specifically call out that tool as a resource."

**PIRC analysis:** It is considered that shareholders should be focused on long-term value creation. Ignoring the potential long-term costs of ignoring climate change as part of the investment strategy of the company's retirement plan is not considered to be in the best interests of its employees. Fossil fuels financing is risky, with records of several human rights and environmental violations and returns that can pay out only years after the initial expensive investment. Although some case studies show that pension funds are getting increasingly involved in the energy transition, most of the financial system as a whole is still oriented mainly towards financing the linear economy when not directly fossil fuel enterprises. Nevertheless, retail investors such as the beneficiaries from the company's retirement plan are increasingly reported to feel that brands have a responsibility to take care of the planet, and UN's Business and Sustainable Development Commission issued a forecast where sustainability is mentioned as to be worth at least USD 12 trillion a year by 2030 to businesses. As such, financing the energy transition could be indeed an opportunity especially for pension funds, where the size of a greener economy (directly related to the availability of financing for those projects) and the long term would meet.

Vote Cast: *For* Results: For: 10.7, Abstain: 4.2, Oppose/Withhold: 85.0,

7. *Shareholder Resolution: Defense Customer Use of Microsoft Technology*

**Proponent's argument:** Boston Common Asset Management and Impact Investors requested that the board commission an independent report to assess whether governmental customer use of Microsoft's technology, including defense contract use, does or can contribute to violations of privacy, civil and human rights, and conflicts with the policies and principles set forth in Microsoft's CSR Report and other public disclosures. "Risks in working with government customers on military contracts include weaponization of the company's technology, supplanting human decision-making with artificial intelligence, and using its products to gamify warfare and for surveillance. Absence of standards can result in privacy, civil, and human rights violations, and circumvents legal requirements including international legal standards for warfare. This disproportionately impacts the rights of people of color, activists, and immigrants and the mental health and suicide rates of government personnel and contractors, service members and veterans. [...] In addition to brand, reputational and financial risk, company employees have protested the conversion of their work-products to tools of war and surveillance. Leaving these concerns unaddressed impacts employee morale, compromises work quality and productivity, and hamstrings recruitment efforts.

**Company's response:** The board recommended a vote against this proposal." First, we are committed to providing our technology to the United States military and our expertise and perspective on technology issues ranging from cybersecurity to the ethical use of Artificial Intelligence. We depend on the military to defend our country, and we want it to have access to the best technology the country has to defend it, including from Microsoft. Second, we will not only be active but proactive in working to address the ethical issues that new technology creates for the military. In a democratic country like the United States where the military is accountable to civilian authorities, we believe the best way for us to address this is not to withhold our technology but rather to engage in discussions with the country's institutions, including testimony before Congress, engagement with the Executive Branch, and the military itself. As we've worked to implement our own Responsible AI principles, we've worked to share with customers like the military our learnings and approach including our own internal Responsible AI Standard and a broad set of tools to facilitate the responsible assessment, development, and deployment of AI solutions. As we share information with those in the military and the government about AI technologies, equally we have a lot to learn ourselves by engaging with these institutions about this ethical field. Third, we understand that some employees may have different views. We don't ask or expect everyone who works at Microsoft to support every position the Company takes. We also respect the fact that some employees may not wish to work on certain projects. We have an approach that ensures that people who have such concerns can raise them, and we work with them to the extent feasible to address these concerns. We're transparent about our decision-making and will continue to have that dialogue."

**PIRC analysis:** A report on the websites that have been de-listed or banned as a result of a request from local authorities is considered to be in shareholders' best interest as a means of ensuring that the management and board of a company gives due consideration to these issues, including geographical representation of the requests, and can perform a deeper, year-on-year analysis of privacy and security issues globally. In any case, it is likely the Company has most of the data requested already available. Support for the vote is recommended.

Vote Cast: *For* Results: For: 20.2, Abstain: 1.0, Oppose/Withhold: 78.8,

8. *Shareholder Resolution: Report on Risks From Being Identified as Company Involved in Development of Weapons*

**Proponent's argument:** Harrington Investments, Inc. requested that the board issue an independent, third-party report, at reasonable expense and excluding proprietary information, to assess the reputational and financial risks to the company for being identified as a company involved in the development of weapons used by the military for training and/or combat purposes. "Microsoft (MSFT) developed an augmented reality headset to provide night vision, thermal sensing, and monitoring of vital signs, initially intended for gaming purposes, then the US Army adapted this product to be used for military training and combat.[...] In 2019, amidst the contract negotiation with the military, MSFT employees pushed back in a letter to the Company stating they "do not want to become war profiteers" and they "did not sign up to develop weapons" and "demand a say in how our work is used"; "It will be deployed on the battlefield and works by turning warfare into a simulated 'video game,' further distancing soldiers from the grim stakes of war and the reality of bloodshed," Microsoft workers warn. Simply put, the application of HoloLens within the IVAS system is "designed to help people kill." Regardless of how our Company positions itself by making public statements, the outcome is a significant contract with the U.S. military and Microsoft is actively working to develop what employees, other stakeholders, including shareholders, and the public view as a weapons system used in war.

**Company's response:** The board recommended a vote against this proposal. "While this proposal asks for a report on reputational and financial risks associated with military contracts rather than human rights risks, we consider the proposal to substantially overlap with Proposal 4 and will reiterate our arguments in opposition to it. [...] First, we are committed to providing our technology to the United States military and our expertise and perspective on technology issues ranging from cybersecurity to the ethical use of Artificial Intelligence. We depend on the military to defend our country, and we want it to have access to the best technology the country has to defend it, including from Microsoft. Second, we will not only be active but proactive in working to address the ethical issues that new technology creates for the military. In a democratic country like the United States where the military is accountable to civilian authorities, we believe the best way for us to address this is not to withhold our technology but rather to engage in discussions with the country's institutions, including testimony before Congress, engagement with the Executive Branch, and the military itself. As we've worked to implement our own Responsible AI principles, we've worked to share with customers like the military our learnings and approach including our own internal Responsible AI Standard and a broad set of tools to facilitate the responsible assessment, development, and deployment of AI solutions. As we share information with those in the military and the government about AI technologies, equally we have a lot to learn ourselves by engaging with these institutions about this ethical field. Third, we understand that some employees may have different views. We don't ask or expect everyone who works at Microsoft to support every position the Company takes. We also respect the fact that some employees may not wish to work on certain projects. We have an approach that ensures that people who have such concerns can raise them, and we work with them to the extent feasible to address these concerns.

**PIRC analysis:** The company's provision of products linked to the development of weapons used by the military for training and/or combat purposes may carry exposure to reputational risks and the consequent financial ones from customer boycott. Concerns over new tools for warfare that are based on artificial intelligence have linked these products to racial bias and human rights risks. The proposal does not request an outright ban on sales of these products either to the government or to governments representing repressive regimes; more reasonably, it suggests the Company to consult with technology and civil liberties experts and civil and human rights advocates to assess the level of risk of violating human rights and civil liberties represented by its product being used by any customer, and the extent to which the company may be impacted by linking its name to these products. While the company's response indicates that some work has been done in this area, more could be done. As such the request for the assessment appears reasonable. A vote for the proposal is recommended.

Vote Cast: *For* Results: For: 10.4, Abstain: 1.7, Oppose/Withhold: 88.0,

9. *Shareholder Resolution: Tax Transparency*

**Proponent's argument:** AkademikerPension requested that the Board of Directors issue a tax transparency report to shareholders, at reasonable expense and excluding confidential information, prepared in consideration of the indicators and guidelines set forth in the Global Reporting Initiative's (GRI) Tax Standard. "In October 2021, 136 countries agreed to a framework for global tax reform. In the US, increases in infrastructure and social spending are linked to tax reforms. The proposed Disclosure of Tax Havens and Offshoring Act will require public country-by-country reporting (CbCR) of financial (including tax) data by SEC-registered companies. In November 2021, the European Union approved a directive to implement a form of public CbCR for multinationals operating in the European Union with group revenue of over $860 million. Currently, Microsoft does not disclose revenues or profits in non-US markets, and foreign tax payments are not disaggregated, challenging investors' ability to evaluate the risks to our company of taxation reforms, or whether Microsoft is engaged in responsible tax practices that ensure long term value creation for the company and the communities in which it operates. Microsoft's approach to taxation has been repeatedly challenged by tax authorities globally. In 2020, an Irish subsidiary recorded profits of $315 billion, despite having no employees."

**Company's response:** The board recommended a vote against this proposal. "The tax transparency report the proposal requests is unnecessary because we provide abundant disclosure about our tax situation in multiple jurisdictions through existing frameworks. In addition, we support broad-based international tax reform and policies that foster economic growth, investment, and job creation. We comply with the tax laws in every jurisdiction in which we operate. As provided in its charter, the Audit Committee of the Microsoft Board of Directors oversees our tax strategy and compliance, reviewing with management the Company's tax-related policies and processes. This includes regular reports on tax compliance, tax reform initiatives, and other developments in the U.S. and worldwide. [....] Detailed disclosures required by the Tax Standard could result in unintended negative impacts, including the release of proprietary competitive information regarding our operations and cost structures. We believe the Tax Standard's narrow focus on corporate income taxation also oversimplifies a complex system of fiscal and public policy determinations each country makes on revenue sources, including consumption taxes, individual taxes, business taxes, etc."

**PIRC analysis:** This proposal is calling for disclosures that are aligned to an established reporting framework and is considered to be in line with the tax framework contained in overseas regulatory settings, like the European Union Shareholders Rights Directive. This proposal reflects a growing trend towards providing more detailed tax information on each jurisdiction where a multinational operates. It is considered that the Company should pursue to pay taxes where its businesses are located, not where they can gain the most advantageous fiscal treatment. Tax planning is considered to be a board responsibility and a core governance issue, as such this proposal will bring improvements to an existing field of work for the board. The resolution is not unduly prescriptive and it is considered beneficial for management and shareholders to look at data from a local-global perspective, allowing to act on local potential flaws within the company's global strategy. Support is recommended.

Vote Cast: *For* Results: For: 22.8, Abstain: 0.6, Oppose/Withhold: 76.6,

# 3 Oppose/Abstain Votes With Analysis

**DIAGEO PLC AGM - 06-10-2022**

2. *Approve the Remuneration Report*
All elements of the Single Total Remuneration Table are adequately disclosed. The increase in CEO salary (+2.3%) is in line with the average salary increase for the workforce (+11.1%). The CEO's salary is in the upper quartile of the Company's comparator group. This raises concerns over potential excessiveness of variable incentive schemes as the base salary determines the overall quantum on the remuneration structure.The balance of CEO realized pay with financial performance is not considered acceptable as the change in CEO total pay over the last five years is not aligned to the change in TSR over the same period. Over the five-year period average annual increase in CEO pay has been approximately 80.76% whereas, on average, TSR has increased by 18.20%. Total realize rewards under all incentive schemes amounted to 490.4% of base salary (Annual Bonus: 188.9% - LTIP: 301.5% ) which is considered excessive. The CEO pay compared to average employee pay stands at 69:1, which is not considered to be appropriate. A ratio of 20:1 would be considered appropriate.
The expectations for pay schemes for approval for general meetings are: a going rate true market salary, director service contracts approved by vote, a single profit pool to be distributed company wide, exceptional bonuses only and no long-term incentive plans (LTIPs). Executives who are directors have unlimited liability, fiduciary duties and Companies Act s172 and contractual duties. The delivery of objectives covered by these duties should not be additionally rewarded with bonuses or LTIPs but considered part of the job. It is believed that the fallacy of 'alignment' with shareholders needs to be retired. Not only do schemes not align, but executives are employees of the company with duties to it. The duties including the new s172 duties should already set the alignment. It is incongruous to use pay schemes as a vehicle for alternative means of 'alignment' which can actually create a competing set of director 'duties'.

Vote Cast: *Oppose* Results: For: 93.2, Abstain: 1.6, Oppose/Withhold: 5.1,

4. *Elect Karen Blackett - Non-Executive Director*
Independent Non-Executive Director. There are concerns over a potential conflict of interest between her role as an Executive in a listed company and membership of the remuneration committee. An abstain vote is recommended.

Vote Cast: *Abstain* Results: For: 99.4, Abstain: 0.5, Oppose/Withhold: 0.1,

9. *Re-elect Susan Kilsby - Senior Independent Director*
Senior Independent Director. Considered independent. However, Ms. Kilsby is also the Chair of the remuneration committee. There are serious concerns regarding the implementation of remuneration at the company and it is considered that chair of the remuneration committee should be held accountable for it when considering re-election.

Vote Cast: *Oppose* Results: For: 98.7, Abstain: 0.6, Oppose/Withhold: 0.6,

15. *Re-appoint PricewaterhouseCoopers LLP as Auditors*
PwC proposed. No non-audit fees were paid to the auditors in the past three years. This approach is commended. The current auditor has been in place for more than five years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.
In late 2020 International Auditing and Assurance Standards Board (IAASB) produced a consultation entitled, Fraud and Going Concern and refers to the "expectations gap" in the sense that the public expect more of auditors than is expected of them. By reference to conclusions of the BEIS Select Committee of Parliament and High Court decisions, there isn't an expectations gap so far as the UK at least is concerned. Indeed auditor duties in respect of fraud are onerous and in the Barings case

at the High Court the issue of negligence didn't merely involve the signing of the public accounts by the audit partner with misstated amounts in, but earlier at the time more junior members of staff missed the fraud when it was smaller reviewing a bank reconciliation (a private and not public document).
The IAASB model of auditing is based on auditors certifying information that is "useful to users". That construct side-steps the crucial duties auditors have for the benefit of the company itself as the Barings case demonstrated. In PIRC's view that model fuels an unwarranted expectations gap and, if audits are limited by the standards misdirect the focus of audits to being "useful for users", a delivery gap because the legal standard and duty is broader than the standards themselves state. PIRC has therefore asked the IAASB to reissue its consultation and has also written to the largest accounting firms to repudiate the IAASB consultation and confirm that the concept of an 'expectations gap' does not limit the scope of their work. In parallel PIRC has reviewed responses from the largest accounting firms to the IAASB determine whether they were encouraging or refuting the concept of an expectations gap. Both Deloitte and BDO correctly referred to the "expectations gap" being dependent on local laws. Both firms also referred to problems with international auditing standards and international accounting standards. BDO went so far as to make other recommendations as well. Mazars did similar in giving evidence to the BEIS Select Committee. In the absence of similar statements from PwC, KPMG, EY or Grant Thornton, PIRC is unable to support re-election or re-appointment of those firms as auditors.

Vote Cast: *Oppose* Results: For: 99.4, Abstain: 0.0, Oppose/Withhold: 0.5,

17. *Approve Political Donations*
The proposed authority is subject to an overall aggregate limit on political donations and expenditure of GBP 100,000 which is within recommended limits. However, it is noted that the Group made political donations of GBP 640,000 to state candidate committees, state political parties and federal leadership committees in North America. This raises concerns about the potential political donation which could be made by the Company under this authority. An oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 97.5, Abstain: 0.1, Oppose/Withhold: 2.5,

21. *Authorise Share Repurchase*
The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders. As no clear justification was provided by the Board, an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 98.9, Abstain: 0.1, Oppose/Withhold: 1.0,

**HARGREAVES LANSDOWN PLC AGM - 19-10-2022**

1. *Receive the Annual Report*
The annual report was made available sufficiently before the meeting and has been audited and certified. However, there are concerns surrounding the sustainability policies and practice at the company and the lack of board level accountability for sustainability issues. Therefore, it is considered that the annual report and the financial statements may not accurately reflect the material and financial impact of non-traditional financial risks. These concerns should have been addressed in the annual report submitted to shareholders, however the annual report fails to address these concerns adequately and therefore this resolution cannot be supported.

Vote Cast: *Abstain* Results: For: 97.8, Abstain: 2.2, Oppose/Withhold: 0.1,

3. *Approve the Remuneration Report*

All elements of the Single Total Remuneration Table are adequately disclosed. The increase in CEO salary is not in line with the entire workforce, as the CEO salary increase by 8.02% were the workforce salary increase by 6.59%. The CEO salary is in the median of a PIRC's comparator group. The Changes in CEO pay in the last five years are not considered in line with changes in TSR during the same period. The CEO's variable pay is not considered excessive standing at 160.57% of salary for the year under review. The ratio of CEO pay compared to average employee pay is not considered adequate at 29:1. A ratio of 20:1 would be considered acceptable.

The expectations for pay schemes for approval for general meetings are: a going rate true market salary, director service contracts approved by vote, a single profit pool to be distributed company wide, exceptional bonuses only and no long-term incentive plans (LTIPs). Executives who are directors have unlimited liability, fiduciary duties and Companies Act s172 and contractual duties. The delivery of objectives covered by these duties should not be additionally rewarded with bonuses or LTIPs but considered part of the job. It is believed that the fallacy of 'alignment' with shareholders needs to be retired. Not only do schemes not align, but executives are employees of the company with duties to it. The duties including the new s172 duties should already set the alignment. It is incongruous to use pay schemes as a vehicle for alternative means of 'alignment' which can actually create a competing set of director 'duties'.

Vote Cast: *Oppose* Results: For: 93.1, Abstain: 0.0, Oppose/Withhold: 6.9,

4. *Re-appoint PricewaterhouseCoopers LLP as auditors to the Company*

PwC proposed. No non-audit fees were paid to the auditors in the past three years. This approach is commended. The current auditor has been in place for more than five years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

In late 2020 International Auditing and Assurance Standards Board (IAASB) produced a consultation entitled, Fraud and Going Concern and refers to the "expectations gap" in the sense that the public expect more of auditors than is expected of them. By reference to conclusions of the BEIS Select Committee of Parliament and High Court decisions, there isn't an expectations gap so far as the UK at least is concerned. Indeed auditor duties in respect of fraud are onerous and in the Barings case at the High Court the issue of negligence didn't merely involve the signing of the public accounts by the audit partner with misstated amounts in, but earlier at the time more junior members of staff missed the fraud when it was smaller reviewing a bank reconciliation (a private and not public document).

The IAASB model of auditing is based on auditors certifying information that is "useful to users". That construct side-steps the crucial duties auditors have for the benefit of the company itself as the Barings case demonstrated. In PIRC's view that model fuels an unwarranted expectations gap and, if audits are limited by the standards misdirect the focus of audits to being "useful for users", a delivery gap because the legal standard and duty is broader than the standards themselves state. PIRC has therefore asked the IAASB to reissue its consultation and has also written to the largest accounting firms to repudiate the IAASB consultation and confirm that the concept of an 'expectations gap' does not limit the scope of their work. In parallel PIRC has reviewed responses from the largest accounting firms to the IAASB determine whether they were encouraging or refuting the concept of an expectations gap. Both Deloitte and BDO correctly referred to the "expectations gap" being dependent on local laws. Both firms also referred to problems with international auditing standards and international accounting standards. BDO went so far as to make other recommendations as well. Mazars did similar in giving evidence to the BEIS Select Committee. In the absence of similar statements from PwC, KPMG, EY or Grant Thornton, PIRC is unable to support re-election or re-appointment of those firms as auditors.

Vote Cast: *Oppose* Results: For: 97.8, Abstain: 0.7, Oppose/Withhold: 1.4,

6. *Re-elect Deanna Oppenheimer - Chair (Non Executive)*

Non-Executive Chair of the Board. As the Chair of the Sustainability Committee is not up for election, the Chair of the Board is considered accountable for the Company's sustainability programme. As the Company's sustainability policies and practice are not considered adequate to minimise the material risks linked to sustainability an abstain vote is recommended.

Vote Cast: *Abstain* Results: For: 65.5, Abstain: 1.5, Oppose/Withhold: 33.0,

17. *Authorise Share Repurchase*
The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders. As no clear justification was provided by the Board, an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 97.8, Abstain: 0.7, Oppose/Withhold: 1.5,

**GENUS PLC AGM - 23-11-2022**

1. *Receive the Annual Report*
The annual report was made available sufficiently before the meeting and has been audited and certified. However, there are concerns surrounding the sustainability policies and practice at the company and the lack of board level accountability for sustainability issues. Therefore, it is considered that the annual report and the financial statements may not accurately reflect the material and financial impact of non-traditional financial risks. These concerns should have been addressed in the annual report submitted to shareholders, however the annual report fails to address these concerns adequately and therefore this resolution cannot be supported.

Vote Cast: *Abstain* Results: For: 98.7, Abstain: 1.0, Oppose/Withhold: 0.3,

2. *Approve the Remuneration Report*
All elements of the Single Total Remuneration Table are adequately disclosed. The CEO salary is in line with the workforce. The CEO salary is in the median of the competitor group. The balance of CEO realized pay with financial performance is considered acceptable as the change in CEO total pay over five years is commensurate with the change in TSR over the same period. Total variable pay for the year under review was at 103.87% of the salary (Annual Bonus: 31.27% & PSP: 72.6%) and is not considered excessive, since is lower than 200%. The ratio of CEO pay compared to average employee pay is acceptable at 17:1.
The expectations for pay schemes for approval for general meetings are: a going rate true market salary, director service contracts approved by vote, a single profit pool to be distributed company wide, exceptional bonuses only and no long-term incentive plans (LTIPs). Executives who are directors have unlimited liability, fiduciary duties and Companies Act s172 and contractual duties. The delivery of objectives covered by these duties should not be additionally rewarded with bonuses or LTIPs but considered part of the job. It is believed that the fallacy of 'alignment' with shareholders needs to be retired. Not only do schemes not align, but executives are employees of the company with duties to it. The duties including the new s172 duties should already set the alignment. It is incongruous to use pay schemes as a vehicle for alternative means of 'alignment' which can actually create a competing set of director 'duties'.

Vote Cast: *Oppose* Results: For: 97.8, Abstain: 0.4, Oppose/Withhold: 1.8,

3. *Approve Remuneration Policy*
Changes proposed: i) Increase in exceptional limit of PSP award to 400% of salary (currently 300%), ii) Incorporation of ESG metrics into PSP assessment, iii) Treatment of Gene Editing costs.
Total variable pay could reach 400% of the salary and is considered excessive since is higher than 200%. On the Annual Bonus one third of the Bonus is defer to shares for three years, this is not considered adequate it would be preferable that 50% of the Bonus to be paid in cash and 50% to defer to shares for at least three years. On the Performance Share Plan (PSP) the introduction of ESG measures is welcomed, however, concerns are raised since, the performance period is three years

which is not considered sufficiently long-term, however, a two year holding period applies which is welcomed. Dividends may accrue on vesting awards from the date of grant. Such rewards misalign shareholders and executive interests as shareholders must subscribe for shares in order to receive dividends whereas participants in the scheme do not. Clawback and malus provisions are in place which aligns with best practice. The expectations for pay schemes for approval at general meetings are: a going rate true market salary, director service contracts approved by vote, a single profit pool to be distributed company wide, exceptional bonuses only and no long-term incentive plans (LTIPs). It is believed that the fallacy of 'alignment' with shareholders needs to be retired. Not only do schemes not align, but executives are employees of the company with duties to it. The duties, including the new s172 duties, should already set the alignment. It is incongruous to use pay schemes as a vehicle for alternative means of 'alignment' which can actually create a competing set of director 'duties'. As such, PIRC may recommend opposition on any remuneration policy or report proposals containing variable remuneration.

Vote Cast: *Oppose* Results: For: 93.1, Abstain: 0.0, Oppose/Withhold: 6.9,

5. *Re-elect Iain Ferguson - Chair (Non Executive)*
Chair. Independent upon appointment. The Chair is also chairing another company within the FTSE 350 index. It is considered that a chair cannot effectively represent two corporate cultures. The possibility of having to commit additional time to the role in times of crisis is ever present. Given this, a Chair should focus his attention onto the only one FTSE 350 Company.

Vote Cast: *Oppose* Results: For: 89.4, Abstain: 1.4, Oppose/Withhold: 9.2,

6. *Re-elect Stephen Wilson - Chief Executive*
Chief Executive and Chair of the Sustainability Committee. As the Chair of the Sustainability Committee is considered to be accountable for the Company's sustainability programme, and given that the Company's sustainability policies and practice are not considered to be adequate in order to minimize material risks linked to sustainability. In addition, it is noted that this director is also a member of the nomination committee. It is important that this committee be exclusively comprised of independent directors in order to ensure an equitable and unprejudiced appointment process. Membership of the committee by the CEO raises serious concerns in this regard and therefore an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 96.6, Abstain: 0.0, Oppose/Withhold: 3.4,

12. *Re-appoint Deloitte LLP as auditor of the Company*
Deloitte proposed. No non-audit fees were paid for the year under review and non-audit fees represents 6.90% of audit fees on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Opposition is recommended.

Vote Cast: *Oppose* Results: For: 96.5, Abstain: 0.0, Oppose/Withhold: 3.5,

16. *Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment*
The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. As this is not the case, an oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 98.6, Abstain: 0.0, Oppose/Withhold: 1.3,

17. *Authorise Share Repurchase*
The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders. As no clear justification was provided by the Board, an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 98.8, Abstain: 0.1, Oppose/Withhold: 1.2,

**RENISHAW PLC AGM - 30-11-2022**

1. *Receive the Annual Report*
The annual report was made available sufficiently before the meeting and has been audited and certified. However, there are concerns surrounding the sustainability policies and practice at the company and the lack of board level accountability for sustainability issues. Therefore, it is considered that the annual report and the financial statements may not accurately reflect the material and financial impact of non-traditional financial risks. These concerns should have been addressed in the annual report submitted to shareholders, however the annual report fails to address these concerns adequately and therefore this resolution cannot be supported.

Vote Cast: *Abstain* Results: For: 97.0, Abstain: 1.5, Oppose/Withhold: 1.5,

2. *Approve the Remuneration Report*
All elements of the Single Total Remuneration Table are adequately disclosed. The CEO pay is in line with the workforce. The CEO salary is on the median quartile of the competitors group. The balance of CEO realized pay with financial performance is not considered acceptable as the change in CEO total pay over the last five years is not aligned to the change in TSR over the same period. The variable pay is 150.1% of base salary. The CEO pay ratio compared to average employee pay is not considered appropriate at 40:1.
The expectations for pay schemes for approval for general meetings are: a going rate true market salary, director service contracts approved by vote, a single profit pool to be distributed company wide, exceptional bonuses only and no long-term incentive plans (LTIPs). Executives who are directors have unlimited liability, fiduciary duties and Companies Act s172 and contractual duties. The delivery of objectives covered by these duties should not be additionally rewarded with bonuses or LTIPs but considered part of the job. It is believed that the fallacy of 'alignment' with shareholders needs to be retired. Not only do schemes not align, but executives are employees of the company with duties to it. The duties including the new s172 duties should already set the alignment. It is incongruous to use pay schemes as a vehicle for alternative means of 'alignment' which can actually create a competing set of director 'duties'.

Vote Cast: *Oppose* Results: For: 95.2, Abstain: 1.1, Oppose/Withhold: 3.7,

4. *Approve Increase in the Maximum Aggregate Fees Payable to Directors*
It is proposed to the shareholders to increase the maximum limit of the non-executive directors fees from GBP 500,000 to GBP 750,000.The limit is set in the articles of association of the company and it has not changed since the year 2020. The annual increase from 2020 to 2022 is 25% which is not within the acceptable limits of 10% increase annually. Therefore an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 99.3, Abstain: 0.0, Oppose/Withhold: 0.7,

6. *Re-elect Sir David McMurtry - Chair (Executive)*
Executive Chair. It is a generally accepted norm of good practice that the Chair of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board. Holding an executive position is incompatible with this. Opposition is recommended.

Vote Cast: *Oppose* Results: For: 70.2, Abstain: 0.1, Oppose/Withhold: 29.7,

7. *Re-elect John Deer - Vice Chair (Non Executive)*
Non-Executive Vice Chair. Not considered independent as Mr Deer is a former executive of the company. In addition, Mr Deer with his wife Mrs M. E Deer controls 16.59% of the issued share capital of the Company. There is insufficient independent representation on the Board. Therefore opposition is recommended.

Vote Cast: *Oppose* Results: For: 74.1, Abstain: 0.1, Oppose/Withhold: 25.8,

9. *Re-elect Allen Roberts - Executive Director*
Executive Director. Acceptable service contract provisions. As the Company do not have a Board level Sustainability Committee, the member of the Board who has responsibility on sustainability is Mr. Roberts. As the Company's sustainability policies and practice are not considered adequate to minimise the material risks linked to sustainability an abstain vote is recommended.

Vote Cast: *Abstain* Results: For: 98.2, Abstain: 0.6, Oppose/Withhold: 1.2,

11. *Re-elect Sir David Grant - Senior Independent Director*
Senior Independent Director. Not considered independent owing to a tenure of ten years to the Board. It is considered that a Senior Independent Director should be independent, in order to fulfil the responsibilities assigned to that role. Therefore, an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 95.8, Abstain: 0.5, Oppose/Withhold: 3.7,

14. *Re-appoint Ernst & Young LLP as auditors of the Company*
EY proposed. Non-audit fees were paid for the year under review and non-audit fees represents 0.11% of audit fees on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than five years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.
In late 2020 International Auditing and Assurance Standards Board (IAASB) produced a consultation entitled, Fraud and Going Concern and refers to the "expectations gap" in the sense that the public expect more of auditors than is expected of them. By reference to conclusions of the BEIS Select Committee of Parliament and High Court decisions, there isn't an expectations gap so far as the UK at least is concerned. Indeed auditor duties in respect of fraud are onerous and in the Barings case at the High Court the issue of negligence didn't merely involve the signing of the public accounts by the audit partner with misstated amounts in, but earlier at the time more junior members of staff missed the fraud when it was smaller reviewing a bank reconciliation (a private and not public document).
The IAASB model of auditing is based on auditors certifying information that is "useful to users". That construct side-steps the crucial duties auditors have for the benefit of the company itself as the Barings case demonstrated. In PIRC's view that model fuels an unwarranted expectations gap and, if audits are limited by the standards misdirect the focus of audits to being "useful for users", a delivery gap because the legal standard and duty is broader than the standards themselves state. PIRC has therefore asked the IAASB to reissue its consultation and has also written to the largest accounting firms to repudiate the IAASB consultation and confirm

that the concept of an 'expectations gap' does not limit the scope of their work. In parallel PIRC has reviewed responses from the largest accounting firms to the IAASB determine whether they were encouraging or refuting the concept of an expectations gap. Both Deloitte and BDO correctly referred to the "expectations gap" being dependent on local laws. Both firms also referred to problems with international auditing standards and international accounting standards. BDO went so far as to make other recommendations as well. Mazars did similar in giving evidence to the BEIS Select Committee. In the absence of similar statements from PwC, KPMG, EY or Grant Thornton, PIRC is unable to support re-election or re-appointment of those firms as auditors.

Vote Cast: *Oppose* Results: For: 99.4, Abstain: 0.0, Oppose/Withhold: 0.6,

16. *Authorise Share Repurchase*
The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders. As no clear justification was provided by the Board, an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 97.6, Abstain: 0.0, Oppose/Withhold: 2.4,

**SOFTCAT PLC AGM - 13-12-2022**

2. *Approve the Remuneration Report*
All elements of the single figure remuneration table are adequately disclosed. Next year's fees and salaries are clearly disclosed. The CEO salary increase for the year under review was 3% and is in line with the workforce which have a salary increase of 5%. The changes in CEO pay over the last five years are not considered in line with the Company's TSR performance over the same period. Total variable pay during the year under review was 440.22% of the salary (Annual Bonus: 144.105% and LTIP: 296.115%) of salary which is excessive and is higher than the recommended limit of 200% of salary. The ratio of CEO pay compared to average employee pay is considered appropriate at 18:1. There were no payments for loss of office made to Directors in the year.
The expectations for pay schemes for approval for general meetings are: a going rate true market salary, director service contracts approved by vote, a single profit pool to be distributed company wide, exceptional bonuses only and no long-term incentive plans (LTIPs). Executives who are directors have unlimited liability, fiduciary duties and Companies Act s172 and contractual duties. The delivery of objectives covered by these duties should not be additionally rewarded with bonuses or LTIPs but considered part of the job. It is believed that the fallacy of 'alignment' with shareholders needs to be retired. Not only do schemes not align, but executives are employees of the company with duties to it. The duties including the new s172 duties should already set the alignment. It is incongruous to use pay schemes as a vehicle for alternative means of 'alignment' which can actually create a competing set of director 'duties'.

Vote Cast: *Oppose* Results: For: 97.9, Abstain: 0.0, Oppose/Withhold: 2.1,

3. *Approve Remuneration Policy*
The company proposes a few changes, most of which are as follows; 1) The company will increase the post-cessation shareholding requirement to 100% of the in-role requirement for two years post-cessation.The current Policy provides for a post-cessation holding requirement of 100% in year one and then 50% in year two: 2) The company make minor amendments to the Policy (and any associated Plan Rules in respect of the LTIP and the annual bonus plan) to extend the malus and clawback event triggers to fully align it to recent guidance issued by the UK Financial Reporting Council ('FRC'). Malus and clawback triggers will be extended to include events relating to corporate failure: 3) in respect of awards under our Long Term Incentive Plan ('LTIP'), minor amendments will be made to further clarify the minimum weighting of financial metrics and applicable measures; and 4) the Company has recently introduced a salary sacrifice programme for employees (which would result in

a benefit in kind arising) which allows the leasing of electric vehicles for employees' personal and business use, commuting, etc. Given this aligns well with objectives to reduce environmental impact, the Committee plans to make this programme available for all Directors, including Non-Executive Directors. The Policywill be amended accordingly. Total maximum potential awards under all incentive schemes are 400% of salary and in exceptional circumstances 450% which is deemed excessive since is higher than 200%. Annual Bonus performance measures are based on Operating profit (80%) and Employee engagement and customer satisfaction (20%). For FY2023 the annual bonus measure will retain 80% based on Operating Profit and 20% based on robust ESG goals. In addition to customer and employee satisfaction, sustainability measures will be added. Long-term incentive plan(LTIP) performance measures are, EPS performance (50%) and TSR performance (50%). There are no non-financial performance measures attached to the LTIP and so the focus of remuneration policy is not the operational performance of the business as a whole or the individual roles of each of the executives in achieving that performance. Instead, the focus of the remuneration policy is financial KPIs, which mainly include factors beyond an individual director's control.The performance period is three years which is not considered sufficiently long-term. However, Executives are required to hold their vested shares for two years, which is welcomed. Malus and clawback provisions apply to all variable pay.
The expectations for pay schemes for approval for general meetings are: a going rate true market salary, director service contracts approved by vote, a single profit pool to be distributed company wide, exceptional bonuses only and no long-term incentive plans (LTIPs). Executives who are directors have unlimited liability, fiduciary duties and Companies Act s172 and contractual duties. The delivery of objectives covered by these duties should not be additionally rewarded with bonuses or LTIPs but considered part of the job. It is believed that the fallacy of 'alignment' with shareholders needs to be retired. Not only do schemes not align, but executives are employees of the company with duties to it. The duties including the new s172 duties should already set the alignment. It is incongruous to use pay schemes as a vehicle for alternative means of 'alignment' which can actually create a competing set of director 'duties'. As such, PIRC may recommend opposition on any remuneration policy or report proposals containing variable remuneration.

Vote Cast: *Oppose* Results: For: 98.5, Abstain: 0.0, Oppose/Withhold: 1.5,

7. *Re-Elect Martin Hellawell - Chair (Non Executive)*
Non-Executive Chair. Not considered independent as up until 1 April 2018 the director was CEO of the Company. It is a generally accepted norm of good practice that the Chair of the Board should act with a proper degree of independence when exercising his or her oversight of the functioning of the Board. Therefore, an oppose is recommended.

Vote Cast: *Oppose* Results: For: 96.9, Abstain: 0.4, Oppose/Withhold: 2.7,

13. *Re-Appoint the Auditors*
EY proposed. Non-audit fees represented 5.90% of audit fees during the year under review and 7.08% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than five years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.
In late 2020 International Auditing and Assurance Standards Board (IAASB) produced a consultation entitled, Fraud and Going Concern and refers to the "expectations gap" in the sense that the public expect more of auditors than is expected of them. By reference to conclusions of the BEIS Select Committee of Parliament and High Court decisions, there isn't an expectations gap so far as the UK at least is concerned. Indeed auditor duties in respect of fraud are onerous and in the Barings case at the High Court the issue of negligence didn't merely involve the signing of the public accounts by the audit partner with misstated amounts in, but earlier at the time more junior members of staff missed the fraud when it was smaller reviewing a bank reconciliation (a private and not public document).
The IAASB model of auditing is based on auditors certifying information that is "useful to users". That construct side-steps the crucial duties auditors have for the benefit of the company itself as the Barings case demonstrated. In PIRC's view that model fuels an unwarranted expectations gap and, if audits are limited by the standards misdirect the focus of audits to being "useful for users", a delivery gap because the legal standard and duty is broader than the standards themselves state. PIRC has therefore asked the IAASB to reissue its consultation and has also written to the largest accounting firms to repudiate the IAASB consultation and confirm

that the concept of an 'expectations gap' does not limit the scope of their work. In parallel PIRC has reviewed responses from the largest accounting firms to the IAASB determine whether they were encouraging or refuting the concept of an expectations gap. Both Deloitte and BDO correctly referred to the "expectations gap" being dependent on local laws. Both firms also referred to problems with international auditing standards and international accounting standards. BDO went so far as to make other recommendations as well. Mazars did similar in giving evidence to the BEIS Select Committee. In the absence of similar statements from PwC, KPMG, EY or Grant Thornton, PIRC is unable to support re-election or re-appointment of those firms as auditors.

Vote Cast: *Oppose* Results: For: 99.4, Abstain: 0.0, Oppose/Withhold: 0.6,

18. *Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment*
The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. As this is not the case, an oppose vote is therefore recommended.

Vote Cast: *Oppose* Results: For: 99.1, Abstain: 0.0, Oppose/Withhold: 0.9,

19. *Authorise Share Repurchase*
The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders. As no clear justification was provided by the Board, an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 99.1, Abstain: 0.2, Oppose/Withhold: 0.7,

**MICROSOFT CORPORATION AGM - 13-12-2022**

1.04. *Elect Satya Nadella - Chair & Chief Executive*
Chair and CEO. Combined roles at the head of the Company. There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal.

Vote Cast: *Oppose* Results: For: 94.4, Abstain: 0.4, Oppose/Withhold: 5.2,

1.06. *Elect Penny Pritzker - Non-Executive Director*
Chair of the Environmental, Social, and Public Policy Committee. As the Chair of the Sustainability Committee is considered to be accountable for the Company's sustainability programme, and given the concerns over the Company's sustainability policies and practice, an oppose vote is recommended.

Vote Cast: *Oppose* Results: For: 99.5, Abstain: 0.1, Oppose/Withhold: 0.4,

1.10. *Elect John W. Thompson - Senior Independent Director*
Senior Independent Director. Not considered independent owing to a tenure of over nine years. It is considered that the senior independent director should be considered independent, irrespective of the level of independence of the Board.

Vote Cast: *Oppose* Results: For: 98.0, Abstain: 0.7, Oppose/Withhold: 1.2,

1.12. *Elect Padmasree Warrior - Non-Executive Director*
Independent Non-Executive Director. There are concerns over the director's potential time commitments, and the director could not prove full attendance of board and committee meetings during the year.

Vote Cast: *Oppose* Results: For: 98.5, Abstain: 0.1, Oppose/Withhold: 1.4,

2. *Advisory Vote on Executive Compensation*
The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: ACB. Based on this rating, abstention is recommended.

Vote Cast: *Abstain* Results: For: 88.3, Abstain: 0.6, Oppose/Withhold: 11.1,

3. *Ratification of the Selection of Deloitte & Touche LLP as Independent Auditor for Fiscal Year 2023*
Deloitte proposed. Non-audit fees represented 10.51% of audit fees during the year under review and 9.69% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

Vote Cast: *Oppose* Results: For: 95.1, Abstain: 0.3, Oppose/Withhold: 4.6,

4. *Shareholder Resolution: Diversity and Inclusion Cost/Benefit Analysis Proposal*
**Proponent's argument:** Ridgeline Research requested that Microsoft issue a public report prior to December 31, 2022, omitting confidential and privileged information and at a reasonable expense, detailing a cost vs. benefits analysis of Microsoft's Global Diversity & Inclusion efforts. "We view Microsoft as being organized to provide the best quality goods and services to its customers while maximizing the return to the investors who fund the Company. As with any corporate initiative, prioritizing diversity comes with a cost. It's clear that Microsoft's Diversity & Inclusion program (D&I) is a major strategic initiative and as shareholders we feel the Global Diversity & Inclusion Report (2021), lacks a complete analysis of the quantified net benefit to shareholders, costs, and risks and is thus incomplete. Given the substantial resources committed to the program, as well as its visibility and importance, as shareholders we feel its net benefit should be measured and quantified using sound financial analysis. Without establishing such a full business justification, the program's benefit to shareholders, as well as its sincerity and motives are in doubt."
**Company's response:** The board recommended a vote against this proposal. "In short, Microsoft does not provide detailed cost-benefit analyses of other aspects of running our business and believes it is unnecessary and indeed counter-productive to single out our diversity and inclusion commitments and programs for a public justification, particularly when we believe this request is motivated by an animosity to diversity and inclusion commitments on behalf of the proponents. [...]Beyond enabling us to fulfill our mission, our commitments to diversity and inclusion are essential to attracting and retaining world class talent, maintaining regulatory compliance and our license to operate around the globe, meeting growing societal expectations, and meeting rising customer and shareholder expectations. As a strategic business priority, diversity and inclusion are factors in the operational assessment portion of Microsoft's executive compensation program to determine the annual cash bonus

the CEO and entire Senior Leadership Team receive."
**PIRC analysis:** The potential benefits of staff diversity lie in widening the perspectives on human resources brought to bear on decision-making, avoiding too great a similarity of attitude and helping companies understand their workforces as a kaleidoscope of customers, marketplace, supply chain and society as a whole. Disclosure surrounding the company's staff composition allows shareholders to consider diversity in the context of the long-term interests of the company, including the ability to attract and retain key talent. Disclosure of a policy to improve diversity and goals that have been set to meet this policy also reassures shareholders that a diverse board is not just an aspiration but a goal. However, this resolution appears to be filed by a right-wing policy think tanks as a spoiler resolution to prevent other shareholders from filing resolutions regarding the company's diversity and focuses on financial analysis with the clear intent to ensure that conservative views are represented on the board as well as so-called liberal perspectives. In addition, its focus on costs and benefits appears to be flawed and artificially focusing on the short-term costs, while deliberately ignoring the long-term impacts from effective diversity and inclusion at the company. A vote against the resolution is recommended.

Vote Cast: *Oppose* Results: For: 1.3, Abstain: 0.8, Oppose/Withhold: 98.0,

# 4 Appendix

The regions are categorised as follows:

| | |
|---|---|
| ASIA | China; Hong Kong; Indonesia; India; South Korea; Laos; Macao; Malaysia; Philippines; Singapore; Thailand; Taiwan; Papua New Guinea; Vietnam |
| SANZA | Australia; New Zealand; South Africa |
| EUROPE/GLOBAL EU | Albania; Austria; Belgium; Bosnia; Bulgaria; Croatia; Cyprus; Czech Republic; Denmark; Estonia; France; Finland; Germany; Greece; Hungary; Ireland; Italy; Latvia; Liechtenstein; Lithuania; Luxembourg; Moldova; Monaco; Montenegro; Netherlands; Norway; Poland; Portugal; Spain; Sweden; Switzerland |
| JAPAN | Japan |
| USA/CANADA | USA; Canada; Bermuda |
| UK/BRIT OVERSEAS | UK; Cayman Islands; Gibraltar; Guernsey; Jersey |
| SOUTH AMERICA | Argentina; Bolivia; Brazil; Chile; Colombia; Costa Rica; Cuba; Ecuador; El Salvador; Guatemala; Honduras; Mexico; Nicaragua; Panama; Paraguay; Peru; Uruguay; Venezuela |
| REST OF WORLD | Any Country not listed above |

The following is a list of commonly used acronyms and definitions.

| Acronym | Description |
|---|---|
| AGM | Annual General Meeting |
| CEO | Chief Executive Officer |
| EBITDA | Earnings Before Interest Tax Depreciation and Amortisation |
| EGM | Extraordinary General Meeting |
| EPS | Earnings Per Share |
| FY | Financial Year |
| KPI | Key Performance Indicators - financial or other measures of a company's performance |
| LTIP | Long Term Incentive Plan - Equity based remuneration scheme which provides stock awards to recipients |
| NED | Non-Executive Director |
| NEO | Named Executive Officer - Used in the US to refer to the five highest paid executives |
| PLC | Publicly Listed Company |
| PSP | Performance Share Plan |
| ROCE | Return on Capital Employed |
| SID | Senior Independent Director |
| SOP | Stock Option Plan - Scheme which grants stock options to recipients |
| TSR | Total Shareholder Return - Stock price appreciation plus dividends |

**For Private Circulation only**



Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
London E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
http://www.pirc.co.uk

*Version 1*