

Brandywine Global Proxy Voting Policy

June 2023 vs. September 2020: the environmental and social section was deleted

Brandywine Global Investment Management, LLC
Proxy Voting policy and Appendix A team voting guidelines
Edition dated June 2023 compared with the edition dated September 2020

Brandywine removed the only part of its policy that addressed environmental and social risk - including its statement that it might support shareholder proposals where management had not acted. It added two conventional governance positions in its place.

Source: the two published policy documents, read in full. Both print their own date in the page footer (September 2020 and June 2023). Every quotation below is verbatim.
proxyvotesnow.com

The short version

Brandywine's policy has an unusual shape: a short firm-wide policy followed by three separate sets of voting guidelines, one for each portfolio management team - Diversified, Fundamental Equities and Fixed Income. The June 2023 rewrite made one large deletion, two small additions, and one change of proxy adviser.

- Deleted: the "Business Management" section, which appeared at the end of all three teams' guidelines. It was the only place environmental and social practices were mentioned, and the only place Brandywine said it might support a shareholder proposal on those grounds.
- Added: a new say-on-pay test - votes against compensation metrics that are not easily measurable and where long-term incentives are not tied to operating performance.
- Added: support for separating the CEO and Chairman roles, extending to a second team a position previously held by only one.
- Changed: for Taft-Hartley clients who direct it, the reference guideline switched from Glass Lewis to ISS.
- Reworded: the firm-wide ESG sentence, in a way that reads as a stronger commitment while the operational content behind it was being removed.

Direction of travel

Away from environmental and social considerations as a voting matter, and towards conventional governance and pay discipline. The two additions are real and both favour shareholders; the deletion is larger than both of them combined.

1. The deletion: "Business Management" is gone

Each of the three teams' 2020 guidelines ended with a section headed "V. Business Management." It said the same thing in each case, and it is absent from all three in 2023. The word "environmental" does not appear anywhere in the June 2023 guidelines.

September 2020, deleted:

"We generally prefer not to dictate to companies on matters of business strategy, believing that as long as the company is operating responsibly it is management's role to make these decisions. Business strategy includes management of environmental and social practices, as they have the potential to pose significant financial, legal, and reputational risk if not appropriately governed."

September 2020, deleted:

"In cases where we feel management has not taken sufficient efforts to address material environmental or social risk, we may choose to support shareholder proposals aimed at enhancing shareholder value or risk mitigation in alignment with our fiduciary principles."

Two distinct things went with it. The first sentence was a deference statement - Brandywine's reason for not second-guessing management on strategy. The second was the exception to it, and the only affirmative hook in the entire document for an environmental or social shareholder proposal. Neither has a replacement. There is no E&S category anywhere in the 2023 guidelines, and no stated position on climate, human capital, supply chain or any related ballot item.

Why this matters

The guidelines are organised as a list of things Brandywine votes for and against - "We vote for...", "We vote against...". A topic that is not on the list has no default. Before June 2023, a proponent of an E&S proposal at a Brandywine holding could point to a sentence saying Brandywine may support such proposals where management has not done enough. After it, there is nothing to point to, and the vote falls back to the general fiduciary language in the front of the document. For fixed income mandates this matters less, but two of the three affected guideline sets are equity.

2. The rewritten ESG sentence

The firm-wide policy still mentions ESG, and the 2023 wording is on its face more committed than the 2020 wording. Read alongside the deletion above, it is worth looking at closely.

Where ESG sits in the fiduciary framework

September 2020:

"Brandywine Global does not exercise its proxy voting discretion to further policy, political or other issues that have no connection to enhancing the economic value of the client's investment, but will consider environmental, social, and governance issues that may impact the value of the investment, either through introducing opportunity or by creating risk to the value."

June 2023:

"Brandywine Global does not exercise its proxy voting discretion to further policy, political or other issues that have no connection to enhancing the economic value of the client's investment. As part of our fiduciary duty, we do consider environmental, social, and governance ("ESG") issues that may impact the value of an investment, through introducing opportunity or by creating risk to the value, or both."

The subordinate clause became its own sentence, "but will consider" became "we do consider," and the consideration is now framed as part of the fiduciary duty rather than as a qualification on a refusal. That is a firmer statement of principle. What changed underneath it is that the one place where the principle had an operational consequence - a possible vote for a shareholder proposal - was removed in the same edition.

How to read this

Strengthened language plus a deleted rule is a pattern worth watching for in policy documents generally. The principle now reads better and binds less. Nothing here prohibits Brandywine from supporting an E&S proposal; it simply no longer says it might.

3. Two genuine additions, both pro-shareholder

A new say-on-pay test

Compensation plans (Fundamental Equities team)

September 2020:

"D. We vote for compensation plans that are tied to the company achieving set profitability hurdles. This is to comply with IRS laws to allow for deductibility of management compensation exceeding \$1 million."

June 2023:

"D. We vote for compensation plans that are tied to the company achieving set profitability hurdles. We vote against compensation metrics that are not easily measurable and where long-term incentives are not tied to operating performance metrics."

This is a new vote-against trigger, not a restatement. It targets two of the most common criticisms of modern incentive design - soft or discretionary metrics, and long-term plans whose payout is disconnected from operating results. It applies to one of the three teams. Note that the test is conjunctive as drafted ("not easily measurable and where long-term incentives are not tied"), so on a literal reading both limbs must fail before a vote against follows.

CEO and Chairman separation extended

June 2023, new to a second team:

"D. We vote for proposals to separate the Chief Executive Officer and Chairman of the Board positions."

In September 2020 this appeared once, in the Diversified team's governance section. In June 2023 it appears twice, having been added to the Fundamental Equities team's guidelines. The Fixed Income team's guidelines still do not contain it. This is a straightforward pro-shareholder extension, and one of the more consequential positions a manager can hold on a US ballot, where independent-chair proposals are a perennial item.

4. A change of proxy adviser - but only for one client type

Taft-Hartley client direction

September 2020:

"In the case of Taft-Hartley clients, Brandywine Global will comply with a client direction to vote proxies in accordance with Glass Lewis & Co. PVS Proxy Voting Guidelines, which Glass Lewis & Co. represents to be fully consistent with AFL-CIO guidelines."

June 2023:

"In the case of Taft-Hartley clients, Brandywine Global will comply with a client direction to vote proxies in accordance with Institutional Shareholder Services' ("ISS") Proxy Voting Guidelines, which ISS represents to be fully consistent with AFL-CIO guidelines."

Worth being precise about the scope: this is not a firm-wide adviser switch. It applies only where a union (Taft-Hartley) client instructs Brandywine to vote a labour-aligned guideline, and it reflects a change in which firm supplies that guideline. Brandywine's general position on research providers is unchanged - it "may contract with an independent proxy service firm," its teams "are not required to follow any recommendation," and its Proxy Administrator must periodically review that firm's conflicts handling.

5. What did not change, and one gap in the record

Roughly 95% of the document is carried over word for word, including every other voting position.

- The account-coverage rules, the Appendix A framework (stated position, list of factors, or no position), and the statement that Appendix A is "not binding on Brandywine Global and its portfolio management teams."
- Compensation: still votes against option repricing and against re-electing incumbent directors who propose it; still supports broad employee stock purchase plans at 85% of market price even where it opposes executive-only plans; still supports say-on-pay votes.
- Governance: still votes against "catch-all" authorisations for proxy holders to conduct unspecified business, and against related-party transactions involving directors, senior management or other insiders.
- Anti-takeover and capital structure: the sections are unchanged, including the position on authorised share increases and the preference for using stock as acquisition currency when it is trading at higher rather than historically low values.
- The three-team structure itself, and the fact that the three teams' guidelines are not identical.

A limitation of this report

The file held for Brandywine's current edition is a 2 KB PDF containing no readable text, so it could not be compared. The most recent complete document available is the June 2023 edition analysed here. If Brandywine has revised its policy since, that revision is not reflected above.