



Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 March 2017

PROFIT WITH PRINCIPLES

UK Corporate Governance Report

Quarter to 31 March 2017

PROFIT WITH PRINCIPLES

UK Key Events: Quarter to 31 March 2017

- Majority owner of **Sports Direct**, Mike Ashley has defied independent shareholders by exercising his block vote to support the re-election of controversial Chairman, Keith Hellawell. A second poll was called following a vote to re-elect him was defeated by a majority of independent share-holders
- CFA UK has published research that highlights the disconnect between **CEO pay** in the UK and corporate performance. It found that whilst median CEO pay rose 82% between 2003 and 2015, the median FTSE350 delivered little in the way of 'meaningful economic profit' and delivered less than 1% economic return on capital over the period
- **Tullow Oil** has announced that outgoing CEO, Aidan Heavey will assume the role of Chairman in April subject to shareholder approval. The move directly flouts corporate governance best practice
- The first predicted shareholder revolt of the season at **Imperial Brands** was avoided after the company withdrew its proposals to amend Remuneration Policy. As drafted, the LTIP was to be increased from 350% to 450% of salary '*to ensure the management team has the opportunity to earn comparative rewards for delivery of strong performance*'. The CEOs maximum opportunity would have risen to 650% of salary or £6.8m with 112.5% delivered at threshold
- An accounting scandal at its Italian business going back 'several years' has led to calls for previous bonuses to be subject to 'clawback at **BT Group** given the £500m write-down in assets
- Substantial opposition was registered against three directors at **Mitchells & Butlers** where levels of overall Board independence are poor (24% against); Over 41% opposed auditors at **Lonmin**

UK Key Events: Quarter to 31 March 2017

- Travel agent **Thomas Cook** saw a sizeable revolt against three pay votes at its AGM in an early sign that the 2017 proxy voting season could be turbulent. Its 'strategic incentive plan' received 32.7% votes against, whilst remuneration policy attracted opposition of 21.6%.
- **A coalition of major shareholders** including Fidelity, Standard Life, Blackrock and Aberdeen have said they will strengthen their approach to executive pay by taking more robust action where pay is not linked to performance
- Hot on the heels of the UK Government consultation on Corporate Governance Reform, the FRC is to conduct a 'wide-ranging' review of the **Corporate Governance Code** citing the governance model in the UK has not changed for 25 years
- The **Investment Association** has issued a tough warning to company management to show restraint as they put new remuneration policies to shareholders. Citing Brexit and populism as warnings, the IA said it will be on alert for three warning signs: significant increases in total remuneration; complex pay deals and weak links to performance
- In a prelude to what could be a 'bumpy' proxy voting season, shareholders voted down remuneration at **Crest Nicholson** by 58%, whilst **Barclays** and **Standard Chartered** have attracted strong investor criticism for reducing profitability hurdles to below the bank's own stated targets
- **Pearson** CEO, John Fallon saw his remuneration rise in 2016 by 20% despite presiding over a series of profit warnings and a reported £2.6bn loss

UK Proxy Voting: Quarter to 31 March 2017

	For	Oppose	Abstain	Total		
Resolutions	389	31	5	425	Equity	Fixed
%	92	6	2	100	30	3
Meetings				33		

Reason for Action	Oppose	Abstain
Remuneration Report	17	2
Board Balance (Directors)	7	-
Individual Incentive Schemes	1	1
Auditors	5	2
Other	1	0

Proxy voting statistics relate to all EdenTree Funds under management, institutional and retail, and therefore may include companies excluded on ethical grounds in the Amity Funds, but allowed in other Funds

Oppose Votes

Company	Date*		Resolution	Reason
WH Smith	25.01.17	2	Approve Remuneration Report	Excessive in aggregate; over 500% salary awarded
		7	Re-elect Mr D Hall	Chair Remuneration Committee; Board has overpaid
Mitchells & Butlers	24.01.17	4	Elect Mr K Browne	Non-independent NED; poor independence and diversity
Caledonian Trust	27.01.17	2	Re-appoint Auditors	No tender since 2002 and no proposal to tender
Compass Group	02.02.17	2	Approve Remuneration Report	Excessive in aggregate; significant vesting at median
Britvic	31.01.17	3	Approve Remuneration Report	Excessive in aggregate; three schemes; double dipping
		8	Re-elect Mr J Daly	Chair, Remuneration Committee; Board has overpaid
Aberdeen Asset Management	02.02.17	9	Re-elect Mr R Mully	Chair, Remuneration Committee; Board has overpaid
		17	Approve Remuneration Report	Poor link to performance; over 500% salary paid; excess
		18	Approve Remuneration Policy	Proposal to cap all awards at 1,000%; excessive
Victrex	08.02.17	21	Re-appoint Auditors	No tender since 1993; no reported proposal to tender
Sage Group	09.02.17	11	Approve Remuneration Report	Directors paid twice for same performance; excessive
Berkeley Group (EGM)	23.02.17	1	Approve Remuneration Policy	LTIP exceeds dilution limits; cliff vesting; excessive
		3	Approve Increase in NED Fees	Significant increase in ceiling proposed; unjustified
IDOX	24.02.17	3	Re-appoint Auditors	Excessively long tenure; proposal for tender undisclosed
Crest Nicolson	23.03.17	14	Approve Remuneration Policy	Reduced performance hurdles; potential double dipping
Smith & Nephew	06.04.17	2	Approve Remuneration Policy	Significant vesting at median; overly complex; excessive
Rio Tinto	12.04.16	2	Approve Remuneration Report	Excessive in aggregate; over 500% salary paid

* Date refers to date of company meeting; all proxies were voted within the calendar quarter. UK includes Jersey (JE) Guernsey (GG) and Isle of Man (IOM)

Oppose Votes

Company	Date		Resolution	Reason
Rio Tinto	12.04.17	3	Approve Remuneration (Australia)	Excessive in aggregate; over 500% salary paid
		16	Re-elect Mr J Varley	Chair, Remuneration Committee; Board has overpaid
Anglo American	24.04.17	13	Re-appoint Auditors	No tender for 18 years; no proposed tender until 2019
		15	Approve Remuneration Report	Poor link to performance; excessive in aggregate
		16	Approve Remuneration Policy	Significant vesting at threshold; poor performance link
SEGRO	20.04.17	3	Approve Remuneration Report	CFO recruitment excessive; poor performance link
		4	Approve Remuneration Policy	Increase in bonus; LTIP performance period reduced
		7	Re-elect Baroness Ford	Chair, Remuneration Report; Board has overpaid
RELX	20.04.17	2	Approve Remuneration Policy	Increase in bonus and benefits; grossly excessive
		3	Amend LTIP	Unchallenging performance hurdles; excessive
		4	Approve Remuneration Report	Poor link to performance; significant vesting at threshold
		10	Re-elect Mr W Hauser	Chair, Remuneration Report; Board has overpaid
<i>Skipton Building Society</i>	24.04.17	2	Re-appoint Auditors	No tender since 1980; no planned tender before 2019

Abstain Votes

Company	Date		Resolution	Reason
Marston's	24.01.17	2	Approve Remuneration Policy	Unjustified ratcheting of LTIP maximum
		13	Re-appoint Auditors	Non-audit fees over 70% of audit fee; breaches EIM limit
		15	Amend LTIP	Increase LTIP maximum without justification; poor value
SVG Capital	30.03.17	8	Re-appoint Auditors	No audit tender for over 10 years
Smith & Nephew	06.04.17	3	Approve Remuneration Report	Significant vesting at median

The following votes were registered in support of management

Company	Date	Resolutions	Action
Johnston Press (EGM)	11.01.17	1	For Resolution
Dee Valley Group (CRT)	12.01.17	1	For Resolution
Dee Valley Group (EGM)	12.01.17	1	For Resolution
Connect Group	26.01.17	18	For All Resolutions
Patisserie Holdings	25.01.17	11	For All Resolutions
Urban & Civic	15.02.17	20	For All Resolutions
SVG Capital (EGM)	09.02.17	1	For Resolution
Dunelm Group (EGM)	07.03.17	1	For Resolution
Laird (EGM)	16.03.17	1	For Resolution
Blue Prism	21.03.17	8	For All Resolutions
HICL Infrastructure Company Ltd.	20.03.17	2	For All Resolutions
<i>Nottingham Building Society</i>	28.03.17	8	For All Resolutions
<i>Leeds Building Society</i>	06.04.17	16	For All Resolutions
Porvair	11.04.17	13	For All Resolutions

FTSE 100 Board Diversity*

Company	Rank	%	Comment
Compass Group	26	18%	Significant reduction in diversity over 2016 - Engage
Sage Group	60	0%	Two female NEDs have retired leaving nil female directors - Engage
Smith & Nephew	42	20%	Significant reduction in diversity over 2016 - Engage
Rio Tinto	8	18%	Significant reduction in diversity over 2016 - Engage
Anglo American	29	27%	Modest increase on 2016; meets 2015 target – close to 2020 target
RELX	22	30%	Meets Hampton-Alexander 2020 target; meets Davies target

FTSE 250 Board Diversity Identified for Engagement*

Company	Rank	%	Comment
Mitchells & Butlers	224	9%	Poor policy disclosure; one woman on 11 person Board – Engage
SEGRO	106	10%	Poor policy disclosure; one woman on 10 person Board – Engage

International Corporate Governance Report

Quarter to 31 March 2017

PROFIT WITH PRINCIPLES

International Key Events: Quarter to 31 March 2017

- A revised **Corporate Governance Code** came into effect in the Philippines on 1st January and will operate on a 'comply or explain' basis. The main changes concentrate on Board effectiveness and protecting shareholder interests
- The former CEO of **Exxon**, Rex Tillerson could be awarded severance of \$180m after stepping down to become Secretary of State in the incoming Trump administration
- A new survey from the **OECD** highlights the progress of corporate governance across 14 countries in Asia. The study shows how international 'norms' are gaining traction although the region remains dominated by state and family structures of governance. Stewardship Codes have been introduced in three markets (Taiwan, Malaysia and Pakistan), with discussions ongoing in Korea, Singapore and Thailand. Separation of the roles of Chairman and CEO are only required in three markets. Diversity is poor across the region with Malaysia having the most female directors (14%)
- The **USA** has moved closer to the adoption of a **Stewardship Code** as the \$17trillion Investor Stewardship Group publishes a framework of six principles that includes shareholder voting and investor collaboration
- Activist investor Mantle Ridge LLP is seeking to force the election of Hunter Harrison as CEO of **CSX Corporation**. Hunter, the ex-CEO of Canadian Pacific, is demanding an equity award of 1% of CSX stock, and \$88m in compensation for leaving Canadian Pacific. The package in total would amount to \$300m, and the Board is resisting

International Key Events: Quarter to 31 March 2017

- There is evidence that nearly half of S&P 100 companies responded to **shareholder engagement** by changing policies or practices; in 2016, 42% of companies surveyed acknowledged they responded to shareholder concerns compared to 14% in 2012
- **Wells Fargo** is to cut average executive pay by \$4m with annual cash bonuses being withdrawn and stock option awards severely reduced in the wake of the bogus accounts scandal. In all the pay bill for executives will reduce by \$32m
- The successful IPO of **Snap** again opens debate around governance at US tech companies. The successful launch masks the entire share offer of 'A' shares as non-voting. The co-founders retain control with their 'C' share entitling them to 10 votes per share held, against 1:1 under the 'B' share (prior investors and staff), and nil for new investors

International Proxy Voting: Quarter to 31 March 2017

	For	Oppose	Abstain	Total
Resolutions	189	48	7	244
%	77	20	3	100
Meetings				20
Shareblocking				-

Meeting Region	No.
Europe ¹	8
USA/Canada	6
HK/Singapore	1
Japan	3
Asia – Other ³	2
Australia/NZ	-
Emerging ²	-
Total	20

Reason for Action	Oppose	Abstain
Executive Compensation	6	
Board Balance (Directors)	11	2
Shareholder Capital Issues	-	-
Other	31	5

- 1 Ex-UK (see separate report)
 2 Latin America/India/Africa/Israel/Offshore
 3 Malaysia, Thailand, Vietnam

Proxy voting statistics relate to all EdenTree Funds under management, institutional and retail, and therefore may include companies excluded on ethical grounds in the Amity Funds, but allowed in other Funds. At companies where shareblocking is exercised, such as in Switzerland and Norway, it is our policy to take no action rather than waive our shareholder rights.

Oppose Votes

Company	Date*		Resolution	Reason
Monsanto	27.01.17	9	Elect Mr C McMillan	Non-independent NED; Chair of Compensation Cttee.
		12	Elect Mr R Stevens	Adoption of Exclusive Forum Provision; poor governance
		14	Ratify Auditors	No audit tender for 17 years
		15	Executive Compensation	Discretionary bonus awarded; excessive in aggregate
Apple	28.02.17	10	Executive Compensation	Single performance hurdle governing significant awards
		12	Shareholder Resolution	Charitable donations; not in shareholder interests
		13	Shareholder Resolution	Racial diversity; not in shareholder interests
		14	Shareholder Resolution	Amend proxy access; not in shareholder interests
		15	Shareholder Resolution	Compensation reform; not in shareholder interests
Metro AG	06.02.17	9	Elect Mr F Funck	Non-independent NED; Chair Audit Committee
		14	Amend Compensation Policy	Compensation excessive; unchallenging performance
		16	Change of Company Name	Proposed change to Ceconomy viewed as irrational
Novartis	28.02.17	29	Miscellaneous Proposals	Grants unfettered discretion to the Board
Zojirushi Corporation	17.02.17	2	Elect Mr N Ichikawa	Insufficient Board independence; non-independent Chair
		11	Elect Mr Yoshitsugu Stat. Auditor	Former executive; insufficient independence on Board
Agilent Technologies Inc.	15.03.17	1	Elect Ms H Fields	Non-independent; Chair of Audit Committee
		4	Executive Compensation	Significant disconnect between pay and performance
		6	Ratify Auditors	No audit tender for 17 years
Canon Inc.	30.03.17	5	Elect Mr T Tanaka	Non-independent' Board refreshment required

* Date throughout refers to the date of company meeting; all proxies were however voted within the calendar quarter

Oppose Votes

Company	Date		Resolution	Reason
Ericsson	29.03.17	17	Elect Mr J Carlson	Time concerns; serves on too many Boards
		25	Elect Ms H Stjernholm	Time concerns; serves on too many Boards
		38	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		40	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		41	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		42	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		43	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		44	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		45	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		46	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		47	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		48	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		49	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		50	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
		51	Shareholder Resolution	Narrow lobby interest; not in shareholder interests
52	Shareholder Resolution	Narrow lobby interest; not in shareholder interests		
53	Shareholder Resolution	Narrow lobby interest; not in shareholder interests		
Keysight Technologies Inc.	16.03.17	4	Executive Compensation	Discretionary awards made; poor performance link
Novo Nordisk	23.03.17	8	Elect Mr G Ando	Non independent insider on Compensation Committee
		15	Elect Ms M Szela	Time concerns; serves on too many Boards
		20	Shareholder Resolution	Narrow lobby interest; not in shareholder interests

Oppose Votes

Company	Date		Resolution	Reason
Novo Nordisk	23.03.17	21	Shareholder Resolution	Narrow interest; not in shareholder interests
Toronto Dominion Bank	30.03.17	3	Executive Compensation	Compensation is excessive; poor performance link
		5	Shareholder Resolution	Narrow interest; not in shareholder interests
		6	Shareholder Resolution	Narrow interest; not in shareholder interests
		8	Shareholder Resolution	Narrow interest; not in shareholder interests
		9	Shareholder Resolution	Narrow interest; not in shareholder interests
		10	Shareholder Resolution	Narrow interest; not in shareholder interests

Abstain Votes

Company	Date		Resolution	Reason
Huaneng Power International Inc.	24.01.17	3	Connected Transactions Group	Insufficient Information provided to take a view
		4	Connected Transactions Finance	Insufficient Information provided to take a view
		5	Connected Transactions Leasing	Insufficient Information provided to take a view
Monsanto	27.01.17	19	Shareholder Resolution	Glyphosate risk; proposal may have merit
Apple	28.02.17	1	Elect Mr J Bell	Time concerns; nominee sits on four Audit Committees
Canon Inc.	30.03.17	3	Elect Mr F Mitarai	Combined Chair/CEO; Board refreshment required
Toronto Dominion Bank	30.03.17	4	Shareholder Resolution	Tax Havens; proposal may have merit

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
NXP Semiconductors NV	USA	27.01.17	10	For All Resolutions
Siemens AG	Germany	01.02.17	4	For All Resolutions
BBVA	Spain	16.03.17	16	For Resolution
ISB Corporation	Japan	30.03.17	6	For All Resolutions
Public Bank Bhd	Malaysia	27.03.17	4	For All Resolutions
Samsung Electronics	South Korea	24.03.17	2	For Resolution
Terna	Italy	23.03.17	1	For Resolution
Vaisala Oyj	Finland	28.03.17	11	For All Resolutions

US Shareholder Resolutions Supported

Company	Resolution	Date
Monsanto	Prepare Lobbying Report; enhanced disclosure may have considerable merit	27.01.17

It is EdenTree Investment Management's policy to support US Shareholder Resolutions where these appear reasonable and proportionate and in keeping with our general stance on ESG (environmental, social and governance) positives. Where they appear to mandate an unreasonable financial charge or represent narrow lobby interests we may exercise discretion to oppose or abstain

Our Partners

We work with national and international partners to deliver proxy voting



www.ivis.co.uk

www.glasslewis.com

www.proxyinsight.com



edentree
investment management

Eden Tree
24 Monument Street
London
EC3R 8AJ

T +44 (0)20 1234 5678
@edentree

edentreeim.com

© Eden Tree Investment Management 2016

