



# Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 March 2016

PROFIT WITH PRINCIPLES

# UK Corporate Governance Report

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Quarter to 31 March 2016

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## UK Key Events: Quarter to 31 March 2016

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- A 'crisis point' has been reached in **executive pay** with 60% of workers said to be demotivated by the high level of executive pay deals according to research carried out by the Chartered Institute of Personnel & Development; CEOs were paid 183 times more than the average worker in 2015, this compares to 47 times in 1998
- FCA penalties against the banking sector for **misconduct** fell for the first time in four years in 2015 to £905m, down from £1.5bn in 2014. Over half the fines imposed were against individuals rather than institutions, suggesting a change of focus by regulators
- UK FTSE100 company **Sports Direct** continues to be under fire for its alleged poor labour practices including paying below the minimum wage. Founder and major shareholder Mike Ashley has refused to appear before a Parliamentary Select Committee over persistent reports of poor pay and conditions
- The requirement to change **external auditor** has not increased choice with the four major accountancy firms continuing to dominate. Only two FTSE100 companies use an auditor outside of the big four, and the overall effect, according to new research, has been to raise costs and create a 'merry-go-round of tendering. PwC retains its dominant position for auditing the greatest number of FTSE100 firms, with KPMG a distant second
- In an unusual move FTSE250 company **Halfords** has announced cost savings of £4m of which half will come from lower executive and management bonuses

## UK Key Events: Quarter to 31 March 2016

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- In the first pay revolt of the 2016 proxy year, **Aberdeen Asset Management** saw 34% of proxies oppose remuneration following record investor outflows that were not taken into account in bonus payouts. CEO Martin Gilbert received £4.3m in pay and incentives after a torrid year for the fund manager
- **HSBC** has bowed to investor pressure and cut pension payments to executives by up to 40%. The bank typically provided pension supplements worth 50% of salary to executives which have now been cut to 30%. EIM has a policy of objecting to any pension supplements that exceed 20-30% of salary
- Asset manager, **Schroders** has attracted strong criticism for announcing its outgoing CEO, Michael Dobson, will become non-executive Chairman to ensure 'continuity'. The Schroder family owns 47% of the equity and approved the move that will make it almost impossible for Schroders to speak out on poor governance issues at the companies in which it invests. Schroders has said it will look to appoint further non-executives given the concentration of connected interests
- In setting aside £4.1bn for misconduct provisions in 2015 (£4.1bn in 2014), **Barclays** Chairman, John McFarlane has been criticised for complaining about the £20bn in fines imposed as 'disproportionate' and 'unsustainable'. His comments have been roundly condemned in the light of Barclays paying almost £1.6bn in bonus awards in 2015 whilst cutting the dividend for two years

## UK Proxy Voting: Quarter to 31 March 2016

	For	Oppose	Abstain	Total		
Resolutions	409	25	5	439	Equity	Fixed
%	93	6	1	100	36	1
Meetings				37		

Reason for Action	Oppose	Abstain
Remuneration Report	12	3
Board Balance (Directors)	5	1
Individual Incentive Schemes	3	-
Auditors	3	-
Other	2	1

*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*		Re15solution	Reason
Britvic	27.01.16	3	Approve Remuneration Report	Excessive in aggregate; significant vesting at median
		6	Re-elect Ms J Averiss	Non-independent NED; insufficient Board independence
		9	Re-elect Mr B Ivell	Chair Remuneration Committee; company overpays
Aberdeen Asset Management	27.01.16	19	Approve Remuneration Report	Uncapped, excessive bonus; poor performance link
WH Smith	27.01.16	2	Approve Remuneration Report	Excessive in aggregate; over 500% salary paid
		3	Approve Remuneration Policy	Poor performance link; significant vesting at median
		8	Re-elect Mr D Hall	Chair Remuneration Committee; company overpays
		15	Approve 2016 LTIP	Significant vesting at median; excessive in aggregate
Compass Group	04.02.16	2	Approve Remuneration Report	Excessive in aggregate; significant vesting at median
Victrex	10.02.16	13	Re-appoint External Auditors	No tender for 23 years; no proposal to tender
Urban & Civic	10.03.16	20	Approve PSP	Poor disclosure; no performance conditions disclosed
Paragon Group of Companies	11.02.16	11	Re-elect Mr H Tudor	Non-independent NED; insufficient Board independence
Sage Group	01.03.16	13	Approve Remuneration Report	Significant vesting at median; unchallenging performance
		14	Approve Remuneration Policy	Directors may be paid twice for same performance
Rio Tinto	14.04.16	2	Approve Remuneration Report	Excessive in aggregate; over 500% salary paid
		3	Approve Remuneration (Australia)	Excessive in aggregate; over 500% salary paid
		13	Re-elect Mr J Varley	Chair, Remuneration Report; Board has overpaid
		15	Re-appoint Auditors	No tender for 22 years; no planned tender before 2018

\* 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		Re15solution	Reason
Drax Group	20.04.16	13	Authorise Political Expenditure	Mandate sought for £200,000; breaches EIM limit
Fever Tree Drinks	21.04.16	10	Approve 2016 LTIP	Significant ratcheting of awards; excessive in aggregate
Anglo American	21.04.16	14	Re-appoint Auditors	No tender for 17 years; no proposal to tender until 2019
		16	Approve Remuneration Report	Maximum LTIP grant despite profit collapse; excessive
BP	14.04.16	2	Approve Remuneration Report	Maximum variable pay despite falling profits; excessive
Smith & Nephew	14.04.16	2	Approve Remuneration Report	Unchallenging performance targets; excessive
Centrica	18.04.16	17	Authorise Political Expenditure	Mandate sought for £125,000; breaches EIM limit

# Abstain Votes

Company	Date		Resolution	Reason
Fenner	13.01.16	2	Approve Remuneration Policy	Reduction in performance targets without justification
WH Smith	27.01.16	19	Amend Articles of Association	Bundled resolution; excessive increase in NED fee ceiling
Paragon Group of Companies	11.02.16	2	Approve Remuneration Report	Excessive variable pay; excessive pension contribution
Gooch & Housego	24.02.16	4	Re-elect Mr G Jones	Former CEO elevated to Chair; flouts market best practice
Centrica	18.04.16	2	Approve Remuneration Report	Excessive recruitment award with poor performance link



## The following votes were registered in support of management

Company	Date	Resolutions	Action
Marstons	26.01.16	18	For All Resolutions
BG Group (CRT)	28.01.16	1	For Resolution
BG Group (EGM)	28.01.16	1	For Resolution
Royal Dutch Shell (EGM)	27.01.16	1	For Resolution
The Investment Company (EGM)	28.01.16	1	For Resolution
Caledonian Trust	29.01.16	4	For All Resolutions
Next (EGM)	10.02.16	1	For Resolution
Berkeley Group (EGM)	16.02.16	1	For Resolution
Henderson UK Property Fund (EGM)	17.02.16	1	For Resolution
Home Retail Group (EGM)	25.02.16	1	For Resolution
Crest Nicholson	17.03.16	15	For All Resolutions
Premier Farnell (EGM)	16.03.16	1	For Resolution
Johnston Press (EGM)	21.03.16	1	For Resolution
DX Group (EGM)	24.03.16	1	For Resolution
<i>Nottingham Building Society</i>	22.03.16	8	For All Resolutions
Porvair	12.04.16	13	For All Resolutions
<i>Leeds Building Society</i>	14.04.16	17	For All Resolutions
Henderson Global Trust (EGM)	15.04.16	1	For Resolution

## FTSE 100 Board Diversity\*

Company	Rank	%	Comment
Aberdeen Asset Management	70	29%	Exceeds 2015 Davies diversity target; close to meeting 2020 target
Compass Group	28	27%	Exceeds 2015 Davies diversity target; close to meeting 2020 target
Sage Group	74	25%	Meets 2015 Davies diversity target
Rio Tinto	11	27%	Exceeds 2015 Davies diversity target; close to meeting 2020 target
Anglo American	103	25%	Meets 2015 Davies diversity target
BP	7	23%	Close to meeting Davies diversity target; significant improvement on 2015
Smith & Nephew	42	27%	Exceeds 2015 Davies diversity target; close to meeting 2020 target
Centrica	43	18%	Reduction in Board size has reduced diversity from 22% in 2015; monitor

# UK Shareholder Resolutions Supported

Company	Resolution	Date
Rio Tinto	Climate change: strategic resilience to 2035 and beyond; the Board to prepare a report	14.04.16
Anglo American	Climate change: strategic resilience to 2035 and beyond; the Board to prepare a report	21.04.16

*Shareholder resolutions relate to all EdenTree Funds under management, institutional and retail, and may include companies excluded on ethical grounds in the Amity Funds, but allowed in other Funds*

# International Corporate Governance Report

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Quarter to 31 March 2016

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## International Key Events: Quarter to 31 March 2016

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- Both Taiwan and South Korea have released investor **Stewardship Codes**, bearing resemblance to the UK Stewardship Code in setting out the stewardship responsibilities of investors across several core Principles
- **General Motors** has incurred criticism after it announced its CEO, Mary Barra, will assume the role of Chair as well. In a counter-intuitive move, the company justifies 're-combining' the roles as necessary to 'execute its strategy more efficiently'. More than 50% of S&P500 companies in the US still have combined Chair and CEOs but the trend is away from consolidating power in a single person
- **Apple** has joined 106 US companies in changing its bylaws to allow shareholder proxy access thereby allowing investors to nominate directors to the Board. However, its minimum 3% equity threshold held continuously over three years makes it prohibitively difficult for a single shareholder to file; under Apple's unusual bylaw only one director position is technically available to investors
- The NZX announced it is to strengthen **New Zealand's Corporate Governance Code**, hinting at higher levels of Board independence, enhanced remuneration disclosure and ESG risk reporting
- US bank **JP Morgan Chase** revealed its CEO/Chairman Jamie Dimon was paid \$27m in 2015, 35% more than in the previous year when over a third of shareholders opposed compensation. Pay at **Goldman Sachs** and **Morgan Stanley** fell 4% and 7% respectively, although both CEOs still earned over \$20m

## International Key Events: Quarter to 31 March 2016

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- Head of **Google**, Sundar Pichai, has been awarded restricted stock to the value of \$199m in one of the biggest share grants ever recorded, and comes with no performance conditions attached
- The **Bombay Stock Exchange** has partnered with the International Finance Corporation (part of the World Bank) to develop a corporate governance scorecard for Indian companies. The benchmark tool will measure corporate governance performance of BSE listed companies against national and international best practice standards. India is supporting efforts to improve transparency and protect minority shareholders
- At the end of March **French companies** that have not applied to opt out of the controversial *florange* law will be able to apply double voting rights to investors that have held the stock for two years. The law undermines the 'one share, one vote' principle but only eight of the CAC40 will maintain equal voting rights after March
- There have been some additions to the corpus of **corporate governance codes** with Sweden and Poland issuing updated Codes, and the Philippines announcing it will publish a first code later in 2016
- The French State has said it will oppose 'damaging' compensation at **Peugeot-Citroen**, where CEO Carlos Tavares received €5.2m in 2015. The French State has a 14% stake and two Board seats, but is unlikely to defeat the compensation vote which Peugeot has called 'rewarding success'

## International Proxy Voting: Quarter to 31 March 2016

	For	Oppose	Abstain	Total	Meeting Region	No.
Resolutions	196	41	3	240	Europe <sup>1</sup>	9
%	82	17	1	100	USA/Canada	5
Meetings				23	HK/Singapore	5
Shareblocking				-	Japan	2
					Asia – Other <sup>3</sup>	2
					Australia/NZ	-
					Emerging <sup>2</sup>	-
					<b>Total</b>	<b>23</b>

  

Reason for Action	Oppose	Abstain
Executive Compensation	12	-
Board Balance (Directors)	21	1
Shareholder Capital Issues	2	-
Other	6	2

<sup>1</sup> Ex-UK (see separate report)  
<sup>2</sup> Latin America/India/Africa/Israel/Offshore  
<sup>3</sup> 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
EVN AG	21.01.16	5	Appointment of Auditor	Excessive non-audit fees ; auditor objectivity impaired
		12	Elect Mr R Meissl	Insufficient Audit Committee independence
		14	Elect Mr W Stiwicek	Insufficient Audit Committee independence
Monsanto Co.	29.01.16	8	Elect Mr C McMillan	Non-independent NED; insufficient independence
		10	Elect Mr W Parfet	Non-independent NED; insufficient independence
		12	Elect Mr R Stevens	Non-independent NED; insufficient independence
		15	Advisory Compensation Vote	Compensation is excessive in aggregate
Sound Global Ltd.	12.01.16	16	Approve Incentive Plan Goals	Plan is excessive in isolation and in aggregate
		9	Elect Mr J Aiping	Time concerns; less than 75% attendance
		13	Issue shares w/o Pre-emption	Excessive issuance; discount price not disclosed
		14	Equity Compensation Plan	Non-executive participation in incentive plan
Metro AG	19.02.16	13	Increase Authorised Capital	Potential dilution exceeds recommended threshold
Novartis AG	23.02.16	7	Board Compensation	Chairman's fee is excessive
		8	Executive Compensation	Poor performance link; excessive in aggregate
		9	Compensation Report	Unchallenging performance; excessive in aggregate
		15	Elect Mr P Landolt	Non-independent NED; insufficient independence
		18	Elect Mr E Vanni	Chair Compensation Committee; poor overall structure
		24	Elect Mr Vanni – Compensation	Chair Compensation Committee; poor overall structure
		26	Appointment of Auditor	No tender or change of auditor for more than 20 years

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



# Oppose Votes

Company	Date		Resolution	Reason
Agilent Technologies	16.03.16	4	Ratification of Auditor	Restatement of accounts; no tender for 16 years
		5	Approve Compensation Report	Compensation is excessive in aggregate
Banco Santander S.A	18.03.16	9	Elect Mr F O'Shea	Time concerns; attendance less than 75%
Canon Inc.	30.03.16	3	Elect Mr F Mitarai	Board insufficiently independent; combined Chair/CEO
		9	Bonus	Performance conditions not disclosed
Getinge AB	30.03.16	25	Elect Mr M Persson	Time concerns; serves on too many Boards
		27	Elect Mr M Wahhstrom	Time concerns; attendance less than 75%
		31	Remuneration Guidelines	Poor disclosure; excessive fixed pay; poor structure
ISB Corporation	30.03.16	3	Elect Mr I Wakao	Board insufficiently independent; non-independent NED
		9	Elect Mr K Tachibana	Insufficient Audit Committee independence
		13	Statutory Auditor Allowances	Retirement allowance for statutory auditor; inappropriate
Keysight Technologies Inc.	22.03.16	5	Approve Compensation Report	Payment of transaction bonuses; excessive in aggregate
Public Bank Bhd	28.03.16	4	Elect Mr L Lam	Insufficient Audit Committee independence
		6	Elect Mr L Wan	Excessive compensation paid to non-executive Chair
Samsung Electronics	11.03.16	1	Accounts/Allocation of Dividends	Unaudited financial statements submitted for approval
		2	Elect Mr L Ho	Chair Audit Committee; submitted unaudited accounts
		3	Elect Mr S Soo	Board insufficiently independent; non-independent NED
		8	Election Audit Committee (Ho)	Chair Audit Committee; submitted unaudited accounts
		9	Election Audit Committee (Soo)	Board insufficiently independent; non-independent NED
Toronto Dominion Bank	31.03.16	3	Approve Compensation Report	Compensation is excessive in aggregate

# Oppose Votes

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Company	Date		Resolution	Reason
Toronto Dominion Bank	31.03.16	5	Shareholder Resolution	Simplify financial statements; not in shareholder interest
		6	Shareholder Resolution	Optimize Quebec Public Finances; narrow interests

# Abstain Votes

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Company	Date		Resolution	Reason
Monsanto	29.01.16	14	Ratification of Auditor	No audit tender for 16 years; no proposal to tender
Novartis AG	23.02.16	28	Miscellaneous Proposals	Insufficient information; may grant Board unlimited scope
Toronto Dominion Bank	31.03.16	1.1	Elect Mr W Bennett	Non independent Chair of Audit Committee (withheld)

## The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Enel Spa (EGM)	Italy	11.01.16	1	For Resolution
Huaneng Power International Inc.	China	12.01.16	3	For All Resolutions
Noble Group Limited (EGM)	Singapore	28.01.16	1	For Resolution
Siemens AG	Germany	26.01.16	9	For All Resolutions
China Petroleum & Chemical Corp.	China	25.02.16	2	For All Resolutions
Lerado Group (Holdings) co. Ltd	Hong Kong	11.02.16	2	For All Resolutions
Arcelor Mittal	Luxembourg	10.03.16	2	For All Resolutions
BBVA	Spain	10.03.16	15	For All Resolutions
Corus Entertainment Inc. (EGM)	Canada	09.03.16	1	For Resolution

# US Shareholder Resolutions Supported

Company	Resolution	Date
Monsanto	Prepare a report regarding the risks of Glyphosate; proposal has merit	29.01.16
	Prepare a report regarding lobbying expenditure; proposal has merit	29.01.16
	Separate the roles of Chairman and CEO	29.01.16

*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

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