

# Global Corporate Governance Report

Proxy Voting Report: Quarter to 30 September 2016

PROFIT WITH PRINCIPLES

# UK Corporate Governance Report

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Quarter to 30 September 2016

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## UK Key Events: Quarter to 30 September 2016

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- The 2016 UK proxy season saw a modest uptick in opposition to **executive pay** with 16 UK companies receiving over 15% opposition to remuneration reports
- Defence contractor **Babcock International** is the latest company to see a significant oppose vote with 42% objecting to its remuneration report in which former directors continue to be eligible to receive LTIP awards despite having left employment
- A new study of FTSE100 **executive pay** shows it to have risen by a third since 2010 from an average £4.1m to £5.5m in 2015. FTSE100 CEOs are now said to be paid 140 times average wages. In the US, median pay of S&P500 company CEOs was \$10.8m and were paid 204 times average earnings
- At the same time as executive pay continues to rise, business is pushing back on ambitious plans by the Government to raise the **National Living Wage** to 60% of median earnings by 2020. If achieved, the UK will have among the highest NLWs in the G7. The CBI is among a number of business groups that say the Government should abandon its 2020 target
- A shareholder advocacy group (Investor Forum) has called for a governance review at **Sports Direct** after multiple reputational challenges. The Forum representing 27% of independent shareholders have submitted a shareholder proposal for the AGM demanding an examination of Board effectiveness and potential conflicts of interest. The Forum has also criticised its employment practices. At the AGM the Chair received a majority oppose vote, but main shareholder Mike Ashley has vowed to ignore it

## UK Proxy Voting: Quarter to 30 September 2016

	For	Oppose	Abstain	Total		
Resolutions	773	43	6	822	Equity	Fixed
%	94	5	1	100	57	1
Meetings				58		

Reason for Action	Oppose	Abstain
Remuneration Report	16	1
Board Balance (Directors)	12	-
Individual Incentive Schemes	6	1
Auditors	7	4
Other	2	-

*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
N Brown	12.07.16	6	Re-elect Lord Alliance	Non-independent NED; Insufficient Board independence
BT Group	13.07.16	2	Approve Remuneration Report	Over 500% salary awarded; excessive in aggregate
		15	Re-appoint Auditors	No change in auditor for 32 years; no tender before 2020
Homeserve	15.07.16	12	Re-appoint Auditors	No change in auditor for 14 years; no tender before 2024
British Land	19.07.16	2	Approve Remuneration Report	Significant vesting at threshold; poor performance link
		3	Approve Remuneration Policy	Significant vesting at threshold; poor performance link
HICL Infrastructure Company	19.07.16	14	Amend Articles of Association	Ability to issue up to 44% share capital without approval
Severn Trent	20.07.16	13	Re-appoint Auditors	Excessive non-audit fees; incumbent re-appointed
Experian	20.07.16	2	Approve Remuneration Report	Directors paid three times for same performance; excess
Electrocomponents	20.07.16	2	Approve Remuneration Report	Unjustified multiplier introduced; ratcheting of incentives
		18	Approve 2016 LTIP	Multiplier and vesting at threshold introduced; retrograde
SSE	21.07.16	2	Approve Remuneration Report	Ratcheting of bonus and PSP; no additional performance
		14	Re-appoint Auditors	No change in auditor for 17 years; no tender indicated
Royal Mail Group	21.07.16	2	Approve Remuneration Policy	Significant shift to short term and increase in maximum
		11	Re-elect Ms O Ni-Chiannor	Chair Remuneration Committee; policy is retrograde
		16	Approve 2016 LTIP	New scheme with single hurdle and 50% vest at median
		17	Approve Deferred Bonus Plan	Doubling of bonus maxima; no additional performance
Land Securities	21.07.16	2	Approve Remuneration Report	Excessive variable pay; significant vesting at median

\* 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
<i>Nationwide Building Society</i>	21.07.16	2	Approve Remuneration Report	Excessive variable pay for a mutual; high basic salaries
National Grid Group	25.07.16	16	Approve Remuneration Report	Excessive variable pay; 468% paid in aggregate
Helical Bar	25.07.16	10	Re-elect Mr M O'Donnell	Chair Remuneration Committee; poor disclosure
		13	Re-appoint Auditors	Auditor in place for over 10 years; no tender indicated
		15	Approve Remuneration Report	90% available for median performance; excessive
		16	Approve Remuneration Policy	New bonus & LTIP with 600% maximum; excessive
Trifast	27.07.16	8	Re-appoint Auditors	No tender for over 20 years; no tender before 2020
Vodafone Group	29.07.16	8	Re-elect Ms V Gooding	Chair Remuneration Committee; poor performance link
		13	Re-elect Mr P Yea	Non independent NED appointed Senior NED
		15	Approve Remuneration Report	Awards of over 700% made; poor performance link
DS Smith	06.09.16	3	Approve Remuneration Report	Excessive variable pay; weak performance hurdles
Ashtead Group	07.09.16	2	Approve Remuneration Report	Excessive variable pay; nearly 400% awarded
		3	Approve Remuneration Policy	Variable pay increased to 475%; excessive in aggregate
Dixons Carphone	08.09.16	3	Approve Remuneration Policy	New LTIP is excessive with significant vesting at median
		8	Re-elect Sir Charles Dunstone	Non-independent NED; insufficient Board independence
		14	Re-elect Baroness Morgan	Non-independent NED; insufficient Board independence
		15	Re-elect Mr G Murphy	Non-independent NED; insufficient Board independence
		21	Approve 2016 LTIP	Significant vesting at median; excessive in aggregate
Schroder Real Estate IT	09.09.16	4	Re-elect Mr S Bligh	Non-independent NED; insufficient Board independence

# Oppose Votes

Company	Date		Resolution	Reason
Schroder Real Estate IT	09.09.16	5	Re-elect Mr J Frederiksen	Non-independent NED; insufficient Board independence
		6	Re-elect Mr K Goulborn	Non-independent NED; insufficient Board independence
Greene King	09.09.16	10	Re-appoint Auditors	No tender since 1997; no tender proposed until 2024
Supergroup	14.09.16	14	Authorise Political Expenditure	Mandate of £150,000 sought; breaches EIM limit
Diageo	21.09.16	2	Approve Remuneration Report	Excessive in aggregate; significant vesting at threshold
		5	Re-elect Lord Davies of Abersoch	Chairman, Remuneration Committee; Board overpays

## Abstain Votes

Company	Date		Resolution	Reason
British Land	19.07.16	20	Amend LTIP	Significant vesting at threshold; poor performance link
Tate & Lyle	21.07.16	2	Approve Remuneration Report	Bonus not supported by performance; potential excess
<i>Nationwide Building Society</i>	21.07.16	3	Re-appoint Auditors	No tender since 2003; none proposed before 2020
United Utilities	22.07.16	11	Re-appoint Auditors	Excessive non-audit fees
Dart Group	08.09.16	5	Re-appoint Auditors	Auditor has been in place for 10 years; no plan to tender
Schroder Real Estate IT	09.09.16	10	Re-appoint Auditors	KPMG reappointed on tender; excessive non-audit fees



## The following votes were registered in support of management

Company	Date	Resolutions	Action
Johnson Matthey	20.07.16	18	For All Resolutions
Blue Prism	19.07.16	11	For All Resolutions
QinetiQ	20.07.16	20	For All Resolutions
Halma	21.07.16	18	For All Resolutions
Dee Valley Group	21.07.16	8	For All Resolutions
KCOM	22.07.16	15	For All Resolutions
Fidelity China Special Situations IT	22.07.16	15	For All Resolutions
British Polythene Industries (EGM)	25.07.16	1	For Resolution
Home Retail Group (CRT)	25.07.16	1	For Resolution
Home Retail Group (EGM)	25.07.16	1	For Resolution
Bonmarché Holdings	28.07.16	18	For All Resolutions
Weiss Korea Opportunity Fund	27.07.16	9	For All Resolutions
Voilex	26.07.16	10	For All Resolutions
Premier Farnell (CRT)	29.07.16	1	For Resolution
Premier Farnell (CRT)	29.07.16	1	For Resolution
Hayward Tyler Group	04.08.16	6	For All Resolutions
WS Atkins	02.08.16	25	For All Resolutions
John Laing Environmental Assets Group Ltd.	17.08.16	10	For All Resolutions
Berkeley Group	06.09.16	23	For All Resolutions

## The following votes were registered in support of management

Company	Date	Resolutions	Action
Bacit	06.09.16	14	For All Resolutions
Oxford Instruments	13.09.16	16	For All Resolutions
Pinewood Group (CRT)	19.09.16	1	For Resolution
Pinewood Group (EGM)	19.09.16	1	For Resolution
NCC Group	22.09.16	16	For All Resolutions
Park Group	22.09.16	7	For All Resolutions
Anglesey Mining	28.09.16	13	For All Resolutions
600 Group	29.09.16	6	For All Resolutions
Eckoh	29.09.16	8	For All Resolutions
Atlantis Japan Growth Fund	14.10.16	9	For All Resolutions

## FTSE 100 Board Diversity\*

Company	Rank	%	Comment
BT Group	11	27%	Exceeds the 2015 Davies diversity criteria
British Land	51	25%	Meets 2015 Davies diversity criteria
Johnson Matthey	81	13%	Does not meet 2015 Davies diversity target ; engagement
Severn Trent	74	33%	Meets 2015 Davies diversity target; meets 2020 target of 33%
Experian	39	11%	Does not meet 2015 Davies diversity target ; engagement
SSE	33	33%	Meets 2015 Davies diversity target; meets 2020 target of 33%
Royal Mail Group	86	38%	Meets 2015 Davies diversity target; exceeds 2020 target of 33%
Land Securities	47	33%	Meets 2015 Davies diversity target; meets 2020 target of 33%
National Grid	15	36%	Meets 2015 Davies diversity target; exceeds 2020 target of 33%
United Utilities	59	25%	Meets 2015 Davies diversity criteria
Vodafone Group	9	25%	Meets 2015 Davies diversity criteria
Berkeley Group	78	23%	Narrowly below Davies diversity criteria 2015 target
Ashtead Group	89	33%	Meets 2015 Davies diversity target; meets 2020 target of 33%
Dixons-Carphone	69	23%	Narrowly below Davies diversity criteria 2015 target
Diageo	12	42%	Meets 2015 Davies diversity target; significantly exceeds 2020 target of 33%

# International Corporate Governance Report

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Quarter to 30 September 2016

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## International Key Events: Quarter to 30 September 2016

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- Following the adoption of the 2015 **Corporate Governance Code**, Japanese companies have faced a wave of protest votes. At K-Line 43% of shareholders opposed the re-election of company President Eizo Murakami, whilst at **Panasonic**, 33% opposed Mr Tsuga as company President. The lack of independence at **Toshiba** resulted in oppose votes around 10% higher than in previous years
- The result of Federal Reserve 'stress tests' on capital adequacy, resulted in a 'conditional approval' for **Morgan Stanley**, which must return with a new capital plan by the year end. The IMF separately rated **Deutsche Bank** as the 'riskiest financial institution in the world'. The Bank was rated the most important net contributor to systemic risk, followed by **HSBC** and **Credit Suisse**
- The French proxy voting season continues to be one of shareholder revolts as 62% of proxies are cast against the remuneration of former **Alstom** CEO, Patrick Kron who was set to receive a pay-off of €6.6m; the French Government used its 20% stake to oppose
- At **Renault**, following defeat of its remuneration proposals in April, the company has returned with new plans that modestly trim the overall package of CEO Carlos Ghosn, and instructing him to give €1m to the Renault Foundation! The quantum of remuneration remains unchanged and is unlikely to assuage the French Government which opposed
- The **Malaysian Central Bank** has announced enhanced corporate governance standards including a requirement to have 'majority independent Boards' and a tenure limit of nine years for non-executives

## International Key Events: Quarter to 30 September 2016

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- The Chief Executive of **Telecom Italia** has been forced to defend his €40m pay package saying the real scandal is rewards for failure. Under his leadership the company's domestic earnings have risen for the first time in 13 years
- **Wells Fargo** is under pressure after the bank's damaging \$185m fine for making unauthorised money transfers into fake accounts. Nearly 5,300 employees have been dismissed for an unprecedented collapse in culture and values as aggressive sales targets drove workers to open two million fake accounts without their customers knowing. The deception only came to light after customers incurred fees on accounts they had not opened
- Global take-up of the UK's **Stewardship Code** model has increased with a proliferation of new Codes appearing in Singapore, Brazil and South Korea. ICGN estimates that by 2020 nearly all major capital markets will have adopted long-term Stewardship positions. Countries already to have followed the UK's lead include, The Netherlands, Italy, Kenya, Canada and Japan
- Following a 'roasting' by the Senate Banking Committee, the Chairman & CEO of **Wells Fargo** is to give up unvested equity awards of around \$41m and will forego his salary during the investigation. The former Head of the Community Bank, who retired as the scandal broke, will also be subject to clawback of unvested awards amounting to \$19m. Neither will receive a bonus for 2016

## International Proxy Voting: Quarter to 30 September 2016

	For	Oppose	Abstain	Total	Meeting Region	No.
Resolutions	134	35	-	169	Europe <sup>1</sup>	4
%	79	21	-	100	USA/Canada	1
Meetings				20	HK/Singapore	12
Shareblocking				-	Japan	1
					Asia – Other <sup>3</sup>	1
					Australia/NZ	-
					Emerging <sup>2</sup>	1
					<b>Total</b>	<b>20</b>

  

Reason for Action	Oppose	Abstain
Executive Compensation	8	-
Board Balance (Directors)	11	-
Shareholder Capital Issues	15	-
Other	1	-

<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
Alstom	05.07.16	7	Severance Chairman & CEO	Poor overall disclosure and poor link to performance
		8	Elect Mr P Colombani	Connected director; insufficient Board independence
		9	Elect Mr G Hauser	Connected director; insufficient Board independence
		10	Remuneration; Chairman & CEO	Transaction bonus awarded; poor link to performance
		21	Issue Shares with Pre-emption	May be used as an anti-takeover device
		22	Issue Shares w/o Pre-emption	May be used as an anti-takeover device
		23	Issue Shares w/o Pre-emption	May be used as an anti-takeover device
		24	Issue Capital	May be used as an anti-takeover device
		25	Greenshoe	May be used as an anti-takeover device
		26	Authority to Set Offer Price	May be used as an anti-takeover device
		27	Increase Capital (Exchange)	May be used as an anti-takeover device
				28
Boustead Projects Limited	28.07.16	2	Elect Mr W Wei	Connected director; insufficient Board independence
Boustead Singapore Limited	28.07.16	5	Elect Mr W Fui	Connected director; insufficient Board independence
		9	Grant Awards 2011 Share Plan	Non-executive participation in long-term incentive plan
Electronic Arts Inc.	28.07.16	11	Amend Executive Bonus Plan	Dilutes existing shareholders; not in shareholder interests
		12	Amend 2000 Incentive Plan	Dilutes existing shareholders; not in shareholder interests
		13	Amend Stock Purchase Plan	Dilutes existing shareholders; not in shareholder interests
		14	Executive Compensation	Compensation is excessive in aggregate

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



## Oppose Votes

Company	Date*		Resolution	Reason
Electronic Arts Inc.	28.07.16	15	Ratify Auditors	No tender for 29 years; no proposals to tender
Amiad Water Systems Limited	17.08.16	12	Option Grants to NEDs	Variable incentive pay awarded to non-executives
Fujikon Industrial Holdings Ltd.	05.08.16	10	Issue Shares w/o Pre-emption	Excessive issuance; issue price discount not disclosed
		12	Issue Repurchased Shares	Issue price discount not disclosed
Luk Fook Holdings (International) Ltd.	17.08.16	8	Elect Mr A Sum	Connected director on Compensation Committee
		12	Issue Shares w/o Pre-emption	Excessive issuance; issue price discount not disclosed
		14	Issue Repurchased Shares	Issue price discount not disclosed
Mologen Holdings AG	11.08.16	10	Ratify Mr O Krautscheid	Material governance concerns; qualified Audit Report
		11	Ratify Mr S Manth	Material governance concerns; qualified Audit Report
		12	Ratify Ms S Klimek	Material governance concerns; qualified Audit Report
		15	Supervisory Board Member Fees	Unjustified increase in variable compensation opportunity
Texwinca Holdings Ltd.	11.08.16	5	Elect Mr P Chak	Non independent Chair; poor overall independence
		6	Elect Mr T Chung	Connected director on Compensation Committee
		13	Issue Shares w/o Pre-emption	Excessive issuance; issue price discount not disclosed
		14	Issue Repurchased Shares	Issue price discount not disclosed
Immofinanz AG	29.09.16	8	Elect Mr M Knap	Audit Committee met infrequently; Chair Audit Committee

## The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Boustead Projects Limited (EGM)	Singapore	28.07.16	3	For All Resolutions
Boustead Singapore Limited	Singapore	28.07.16	1	For Resolution
China Oilfield Services	China	22.07.16	5	For All Resolutions
Capital & Commercial Trust	Singapore	13.07.16	1	For Resolution
Mapletree Industrial Trust	Singapore	19.07.16	3	For All Resolutions
ABN Amro Group NV	Netherlands	12.08.16	1	For Resolution
Dah Sing Banking Group Ltd.	Hong Kong	05.08.16	1	For Resolution
Lerado Financial Group Company Ltd.	Hong Kong	12.08.16	3	For All Resolutions
TechnoPro Holdings Inc.	Japan	29.09.16	10	For All Resolutions
Vietnam Holding Limited	Cayman Islands	15.09.16	7	For All Resolutions

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