



Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 December 2017

PROFIT WITH PRINCIPLES

UK Corporate Governance Report

Quarter to 31 December 2017

PROFIT WITH PRINCIPLES

UK Key Events: Quarter to 31 December 2017

- Opposition was more muted at **Sky** this year, with Chair James Murdoch being supported by 51.5% of independent shareholders. Remuneration once again attracted opposition with 64% of independent shareholders opposing
- The final report of the **Parker Review** has urged greater ethnic diversity on Boards. The review has recommended that by 2021 every FTSE100 Board should have at least one director from a minority background, and all FTSE250 Boards by 2024. At July 2017, just 85 out of 1,050 FTSE100 directors were held by people from a minority background
- The world's largest sovereign wealth fund, Norway's oil fund, has severely criticised plans by the **FCA** to loosen stock market listing rules by exempting companies controlled by sovereigns from certain listing requirements. The Fund adds pressure on the FCA, which has been accused of potentially diluting the UK's reputation for world class governance standards in a bid to win the IPO of Saudi oil major, **Aramco**
- Activist shareholder TCI Fund Management has continued to challenge the Board of the **London Stock Exchange** (LSE) to explain why the CEO was 'forced' to step down. TCI with a 5% holding called an EGM in a bid to oust the Chair, claiming the CEO was 'coerced' into stepping down. Shareholders however have rallied around the Chair following the EGM with 79% supporting
- Around two thirds of FTSE50 companies have still to publish an annual **tax strategy** to comply with government regulations that came into force in June. The rules apply to 'large businesses' with a balance sheet exceeding £2bn or revenues of £200m; 66% were found to be non compliant and 14% demonstrated poor compliance

UK Key Events: Quarter to 31 December 2017

- A looming pay revolt at oil services company **John Wood Group** is in the context of the CEO receiving a 25% base salary rise in 2017, which itself follows a 23% rise in 2016. The company which has made 14,000 people redundant is being criticised for a misalignment in pay and performance that could see the CEO receive up to £3.5m in bonuses
- **Rio Tinto** appears to have bowed to shareholder pressure by designating Simon Thompson as Chair in succession to Jan du Plessis. It was widely thought that the mining giant wished to appoint the former CEO of Xstrata, Sir Mick Davis, but a coalition of investors raised strong objections at a time when strict capital control was felt to be an overriding necessity
- The FRC has announced a review of the **UK Corporate Governance Code**. One proposal is to time-limit the appointment of Board Chairs to nine years. The time limit will include all time spent on the Board and will catch 67 companies that currently have chairs who have served in excess of nine years including 19 FTSE100 and 48 FTSE250 companies
- The Chair of house-builder **Persimmon** resigned unexpectedly after strong criticism that a long-term incentive scheme has put the CEO in line to receive more than £100m because the scheme had no cap and was 'poorly designed'. The Chair of the Remuneration Committee has also stood down with immediate effect
- 70% of independent shareholders at **Sports Direct** blocked a move to pay Mike Ashley's brother an £11m back-payment which came to light during a 'probe'. Ashley chose not to exercise discretion to vote

UK Proxy Voting: Quarter to 31 December 2017

	For	Oppose	Abstain	Total		
Resolutions	379	21	7	407	Equity	Fixed
%	93	5	2	100	34	-
Meetings				34		

Reason for Action	Oppose	Abstain
Remuneration Report	7	5
Board Balance (Directors)	2	2
Individual Incentive Schemes	4	0
Auditors	6	0
Other	2	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
BHP Billiton	19.10.17	7	Approve Remuneration Policy	Excessive in aggregate; single performance hurdle LTIP
		8	Approve Remuneration Report	Over 500% awarded; poor performance link and structure
		9	Remuneration Report (Australia)	Over 500% awarded; poor performance link and structure
		10	Approve Leaving Entitlements	Potential for excess; allows LTIP awards for good leavers
		11	Approve Share Grant to CEO	Excessive in aggregate; over 500% salary awarded
		22	Shareholder Resolution	Not in shareholder interests; not viewed as adding value
		23	Shareholder Resolution	Not in shareholder interests; not viewed as adding value
Jupiter European Opportunities Ltd.	07.11.17	9	Re-appoint Auditors	No tender since 2000; no tender proposed until 2023
Schroder Japan Growth Trust	02.11.17	6	Re-appoint Auditors	No tender since 1994; no tender proposed until 2020
Galliford Try	10.11.17	12	Re-appoint Auditors	Auditor re-appointed in 2014 and has served 16 years
Smiths Group	14.11.17	2	Approve Remuneration Report	Significant vesting at threshold; poor performance link
		13	Re-appoint Auditors	No tender since 1997; no tender proposed until 2020
Close Brothers	16.11.17	2	Approve Remuneration Report	Share matching plan has duplicate performance; excess
		3	Approve Remuneration Policy	Awards over 650% in aggregate; excessive; performance
		15	Approve Share Incentive Plan	Increase in scheme maximum to 350%; performance link
Ferguson	28.11.17	2	Approve Remuneration Report	Potentially excessive in aggregate; over 400% available
The Investment Company	07.12.17	5	Re-elect Mr S Cockburn	Majority of Board not independent; on Board for 26 years
		7	Re-elect Mr P Allen	Majority of Board not independent; on Board for 21 years
		8	Re-appoint Auditors	Auditor tenure excessive; no tender since 1987

Oppose Votes

Company	Date		Resolution	Reason
Bellway	13.12.17	13	Re-appoint Auditors	No tender since 1979; no proposed tender until 2021
DotDigital	19.12.17	7	Approve Performance Share Plan	Total opportunity exceeds 400%; excessive in aggregate

Abstain Votes

Company	Date		Resolution	Reason
Rank Group	19.10.17	2	Approve Remuneration Report	Poor structure and undue discretion given to Committee
Schroder Japan Growth Trust	02.11.17	5	Re-elect Mr J Taylor	Non-independent Chair on Audit Committee; poor balance
Galliford Try	10.11.17	3	Approve Remuneration Policy	Increase in maximum award without justification; excess
Kier Group	17.11.17	2	Approve Remuneration Policy	Increase in bonus opportunity without justification
Genus	16.11.17	2	Approve Remuneration Report	Poor bonus structure; potentially excessive in aggregate
Dunelm Group	21.11.17	16	Approve Remuneration Report	Bonus paid purely on personal objectives; performance
Wadworth & Co.	18.12.17	8	Re-elect Mr J Atkinson	Insufficient information provided to assess independence

The following votes were registered in support of management

Company	Date	Resolutions	Action
Eckoh (EGM)	16.10.17	2	For All Resolutions
Greencoat UK Wind (EGM)	18.10.17	3	For All Resolutions
Dechra Pharmaceuticals	20.10.17	19	For All Resolutions
Picton Property Income Ltd.	08.11.17	10	For All Resolutions
Pacific Horizon Investment Trust	15.11.17	11	For All Resolutions
Atlantis Japan Growth Fund (EGM)	23.11.17	1	For Resolution
Hotel Chocolat Group	23.11.17	14	For All Resolutions
Target healthcare REIT	29.11.17	13	For All Resolutions
Inland Homes	28.11.17	7	For All Resolutions
DX Group	08.12.17	12	For All Resolutions
GCM Resources	12.12.17	6	For All Resolutions
JP Morgan Japanese IT	14.12.17	13	For All Resolutions
Volex (EGM)	15.12.17	1	For Resolution
DX Group (EGM)	15.12.17	6	For All Resolutions
Bioventix	14.12.17	6	For All Resolutions
Smart Metering Systems (EGM)	20.12.17	2	For All Resolutions
Applied Graphene Materials	03.01.18	7	For All Resolutions
Xeros Technology Group (EGM)	28.12.17	5	For All Resolutions
Supergroup (EGM)	08.01.18	1	For Resolution

FTSE 100 Board Diversity*

Company	Rank	%	Comment
BHP Billiton	81	30%	Meets 2015 Davies diversity target; close to meeting 2020 target
Smiths Group	68	22%	No change on 2016; falls short of Davies 2015 diversity target
Ferguson	37	36%	Meets 2020 Hampton-Alexander target; increase on 2016

FTSE 250 Board Diversity Identified for Engagement*

Company	Rank	%	Comment
Dechra Pharmaceuticals	223	14%	Poor Board diversity overall – Engage
Galliford Try	257	14%	Poor Board diversity overall – Engage
Genus	269	13%	Diversity has improved since voting and is now 25% - satisfactory

International Corporate Governance Report

Quarter to 31 December 2017

PROFIT WITH PRINCIPLES

International Key Events: Quarter to 31 December 2017

- The **Indian Securities Regulator** has announced sweeping proposals to improve corporate governance with the aim of countering the influence of founding owners. Proposals include separation of the roles of Chair and CEO, and for half the Board to comprise independent NEDs
- French food major, **Danone** has raised concerns by announcing it is to combine the roles of Chair and Chief Executive, whilst outgoing Chair, Franck Riboud, will remain on the Board as 'Honorary Chairman'. The company has justified the unconventional move as being 'a direct bridge' between management and the Board and 'to enable faster decision making'
- Alarm has been rung by amendments to **SEC** guidelines that may make it easier for companies to reject shareholder proposals. In a change to its guidance, the SEC proposes weakening interpretation of 'ordinary business' by which companies could exclude proposals relating to environmental or social matters. The SEC proposes leaving it to Board discretion, with shareholders fearful that companies will rule proposals to be 'ordinary business' rather than policy under the Rule, and exclude it
- **Commonwealth Bank** has avoided a 'spill meeting' under Australian law with remuneration approved by 92% proxies after the Bank reduced variable remuneration pay-out to zero and targets from 100% to 60-70% of base salary. The Bank continues to be mired in several regulatory scandals
- **Credit Suisse Group** has settled a charge amounting to \$135m relating to FOREX manipulation between 2008 and 2015. The New York regulator claimed the bank had targeted larger profits via a series of manipulation moves that reflected poor internal controls. Credit Suisse has not accepted fault

International Key Events: Quarter to 31 December 2017

- New corporate governance regulations will come into effect in **Pakistan** from 1 January. The new rules strengthen Board independence, reduce the number of directorships an individual can have, and will mandate at least one woman to serve on each company Board, with companies required to train at least one female executive
- **GE** has announced that it will streamline its Board down from 18 to 12. With some new and existing appointments confirmed, up to nine directors will leave the Board during 2018 amidst one of the biggest shakeups in Board governance
- US tech giant **Oracle** has the dubious distinction of never having won a 'say on pay' vote in six years of shareholder votes. The company suffered its sixth annual defeat on November 15th after CEO, Larry Ellison (who holds 28% of the equity), saw him and two other executives divide \$100m in bonuses
- After a period of poor performance, the Remuneration Report at German food group **Aryzta** attracted 45% opposition; EIM opposed

International Proxy Voting: Quarter to 31 December 2017

	For	Oppose	Abstain	Total
Resolutions	92	16	4	112
%	82	14	4	100
Meetings				18
Shareblocking				-

Meeting Region	No.
Europe ¹	8
USA/Canada	3
HK/Singapore	4
Japan	-
Asia – Other ²	-
Australia/NZ	2
Emerging ³	1
Total	18

Reason for Action	Oppose	Abstain
Executive Compensation	7	3
Board Balance (Directors)	6	1
Shareholder Capital Issues	-	-
Other	3	-

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

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
PetroChina Co. Ltd	26.10.17	3	Elect Mr W Liang as Supervisor	Supervisors insufficiently independent; board balance
Telstra Corporation	17.10.17	4	Equity Grant to the CEO	Discretionary variable grant; not in shareholder interests
Ethernity Networks Ltd	15.11.17	3	Exempt/Indemnify Directors	Insufficient information provided to take a view
Microsoft Corporation	29.11.17	6	Elect Mr C Noski	Chair Audit Committee; excessive Board tenure
		15	Executive Compensation	Excessive in aggregate; poor link to performance
		17	Ratify Auditors	Excessive tenure of auditors; no tender for 24 years
		19	Approve 2017 Stock Plan	Plan is excessive in isolation and in aggregate
Pernod Ricard	09.11.17	10	Elect Ms V Vargas	Board insufficiently independent; majority connected
Aryzta AG	07.12.17	2	Compensation Report	Discretionary bonuses awarded; poor performance
Cisco Systems Inc.	11.12.17	1	Elect Ms C Bartz	Lead independent director; not considered independent
		7	Elect Mr R McGeary	Chair Compensation Committee; not independent
		11	Elect Mr S West	Chair Audit Committee; not considered independent
		12	Amend 2005 Stock Plan	Significantly more expensive than peers; excessive
		14	Executive Compensation	Compensation excessive; pay/performance disconnect
		16	Ratify Auditors	No audit tender for 29 years; poor practice
Fugro NV		2	Elect Mr Ø Løseth	Guaranteed annual bonus; no performance targets

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

Abstain Votes

Company	Date		Resolution	Reason
Telstra Corporation	17.10.17	5	Approve Remuneration Report	Potentially excessive in aggregate
Aryzta AG	07.12.17	20	Executive Compensation	40% increase after underperformance not justified
Cisco Systems Inc.	11.12.17	8	Elect Mr C Robbins	Combined Chair/CEO recently re-combined
		13	Approve Goals of PSP	Poor link to performance; not in shareholder interests

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Philips NV	Netherlands	20.10.17	2	For All Resolutions
Akzo Nobel NV	Netherlands	30.11.17	5	For All Resolutions
Allied Irish Banks (EGM)	Ireland	03.11.17	2	For All Resolutions
Allied Irish Banks (CRT)	Ireland	03.11.17	1	For Resolution
Bingo Industries Ltd.	Australia	01.11.17	3	For All Resolutions
Samson Holding	Hong Kong	06.11.17	2	For All Resolutions
China Oilfield Services	China	13.12.17	3	For All Resolutions
H&R REIT	Canada	07.12.17	2	For All Resolutions
KPN NV	Netherlands	06.12.17	1	For Resolution
Noble Group Limited	Hong Kong	15.12.17	1	For Resolution

US Shareholder Resolutions Supported

Company	Resolution	Date
Cisco Systems Inc.	Lobbying Report – Further disclosure on political lobbying in shareholder interests	11.12.17

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

Annual Corporate Governance Statistics

Year to 31 December 2017

UK Proxy Voting: Year to 31 December 2017

	For	Oppose	Abstain	Total		
Resolutions	3,447	221	43	3,711	Equity	Fixed
%	93	6	1	100	239	7
Meetings				246		

Reason for Action	Oppose	Abstain	%
Remuneration Report	113	19	50
Board Balance (Directors)	46	4	19
Individual Incentive Schemes	15	3	7
Auditors	30	14	17
Other	17	3	7
Total	221	43	100%

International Proxy Voting: Year to 31 December 2017

	For	Oppose	Abstain	Total
Resolutions	2,014	314	27	2,355
%	86	13	1	100
Meetings				194
Shareblocking				2

Meeting Region	No.
Europe ¹	85
USA/Canada	45
HK/Singapore	43
Japan	7
Asia – Other ²	7
Australia/NZ	2
Emerging ³	5
Total	194

Reason for Action	Oppose	Abstain	%
Executive Compensation	67	5	21
Board Balance (Directors)	127	8	40
Shareholder Capital Issues	38	-	11
Other	82	14	28
Total	314	27	100%

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

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