

Global Corporate Governance Report

Proxy Voting Report: Quarter to 30 September 2015

PROFIT WITH PRINCIPLES

UK Corporate Governance Report

Quarter to 30 September 2015

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UK Key Events: Quarter to 30 September 2015

- The target of having **25% of women on FTSE100 Boards** by the end of 2015 has been achieved, although the vast majority continue to be non-executive; only 9.5% constitute executive roles
- In a surprise move, reforming CEO Anthony Jenkins has been ousted at **Barclays**, with the new Chairman assuming the role of Executive Chair pending a new appointment. Jenkins leaves with up to £3m in severance compensation
- **Burberry** avoided another shareholder revolt as the Remuneration Report was approved by 92.3% of proxies voted. The report was approved despite continuing unease at the quantum of awards given to its CEO and the 'allowance' of £424,000, over and above his basic £1m salary. £6.2m in bonus and share awards were also granted: EIM opposed
- Whilst the **2015 proxy season** has resulted in few shareholder revolts, the amount of voted capital continues to improve reaching 70% in 2015. The level of dissent remains around 3% placing EIM above average in the amount of voting action taken
- A shareholder revolt at media giant **WPP** failed to materialise as 78% of proxies cast supported company remuneration; this is despite CEO **Sir Martin Sorrell** receiving £43m in pay bonuses and incentive awards in 2014. The issue of succession planning to Sir Martin was raised publicly at the AGM with the Chairman admitting to a lack of transparency, but saying 'I don't apologise for it'

UK Key Events: Quarter to 30 September 2015

- A growing corporate governance row is emerging at retailer **Sports Direct** with a major house saying it has 'lost confidence in the Board' and would vote against Mike Ashley, founder and Chairman, as well as all non-executive directors. The company is proposing to reduce its long-term incentive performance hurdles which will boost the chances of higher pay-outs. In the event 30% of shareholders opposed the Chairman and 12% opposed Mr Ashley's re-election
- An EU survey into **banker's pay** found the UK to have the highest number of bankers earning over €1m in the EU. In total 3,178 individuals were found to earn in excess of €1m in salary and bonus of which 2,086 were in the UK; the next highest was Germany with 397
- The Investment Association has called for a 'radical simplification' of **executive pay structures** to ensure directors act in the long-term interests of the business. The IA is to set up a working group designed to assess whether current incentive structures deliver strong performance or just large rewards for directors
- A study of UK, US and India Boards suggests companies perform better when they have at least one **female executive**. The Grant Thornton study suggested companies have missed out on £430bn of investment returns - £49bn for the UK. Although women now occupy over 25% of Board positions at FTSE100 companies, the figure for female executives remains barely changed from four years ago at just 9.5%. Insurer, **Hastings** is the latest pre-float company to be criticised for having an all male Board

UK Proxy Voting: Quarter to 30 September 2015

	For	Oppose	Abstain	Total		
Resolutions	930	40	13	983	Equity	Fixed
%	95	4	1	100	66	1
Meetings				67		

Reason for Action	Oppose	Abstain
Remuneration Report	14	8
Board Balance (Directors)	15	-
Individual Incentive Schemes	6	1
Other	5	4

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
MITIE Group	13.07.15	3	Approve Remuneration Policy	Substantial vesting at median under bonus and LTIP
Homeserve	17.07.15	2	Approve Remuneration Report	Matching Plan rewards twice for the same performance
Burberry	16.07.15	2	Approve Remuneration Report	Excessive in aggregate; significant allowances paid
		7	Re-elect Mr I Carter	Chair Remuneration Committee; Board has overpaid
BT Group	15.07.15	2	Approve Remuneration Report	Over 200% salary available for median performance
		7	Re-elect Mr T Ball	Chair Remuneration Committee; excessive at median
		14	Re-appoint Auditors	No tender since 1984; no guidance on future tender
National Grid Group	21.07.15	16	Approve Remuneration Report	Additional opportunity without strengthened performance
British Land	21.07.15	2	Approve Remuneration Report	Matching plan; directors paid twice – same performance
Land Securities	23.07.15	2	Approve Remuneration Policy	Additional opportunity without strengthened performance
		14	Approve 2015 LTIP	Additional opportunity without strengthened performance
Mothercare	23.07.15	2	Approve Remuneration Report	Excessive base salary; exceptional incentives granted
Experian	22.07.15	18	Approve Co-investment Plan	Duplicate matching scheme; little shareholder value
		19	Approve ESOS	Duplicate long-term incentive scheme; little value-add
Halma	23.07.15	3	Approve Remuneration Policy	Very significant ratcheting of remuneration; excessive
		12	Re-elect Mr T Rice	Chair Remuneration Committee; excessive quantum
		15	Approve 2015 PSP	Significant increase in scheme maxima; excessive
Tate & Lyle	29.07.15	14	Re-appoint Auditors	No tender since 1989, no future tender announced

* 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
Vodafone	28.07.15	14	Approve Remuneration Report	Excessive variable pay; over 700% salary available
Volex	24.07.15	2	Approve Remuneration Report	Retrospective testing of LTIP grant; reduced threshold
		9	Approve Deferred Bonus Scheme	Scheme appears to serve no purpose; poor value
Helical Bar	24.07.15	3	Re-elect Mr N McNair Scott	Non-independent Chairman; insufficient independence
		11	Re-elect Mr A Gulliford	Non-independent NED; insufficient independence
		13	Re-appoint Auditors	No tender for over 15 years; no guidance on tender
		15	Approve Remuneration Report	Excessive in aggregate; over 500% salary awarded
WS Atkins	29.07.15	14	Re-appoint Auditors	No tender for over 19 years; no guidance on tender
DS Smith	08.09.15	3	Approve Remuneration Report	Excessive variable pay; unchallenging performance
SuperGroup	09.09.15	17	Authorise Political Expenditure	Mandate of £150,000 sought; breaches EIM limit
Dixons Carphone	10.09.15	3	Approve Remuneration Policy	Uncapped LTIP; potentially excessive in aggregate
		12	Re-elect Sir Charles Dunstone	Non-independent NED; insufficient Board independence
		13	Re-elect Mr J Gildersleeve	Non-independent NED; insufficient Board independence
		15	Re-elect Baroness Morgan	Non-independent NED; insufficient Board independence
		16	Re-elect Mr G Murphy	Non-independent NED; insufficient Board independence
		17	Re-elect Mr R Taylor	Non-independent NED; insufficient Board independence
Schroder Real Estate IT	11.09.15	4	Re-elect Mr S Bligh	Non-independent NED; insufficient Board independence
		5	Re-elect Mr J Frederiksen	Non-independent NED; insufficient Board independence
		6	Re-elect Mr K Goulborn	Non-independent NED; insufficient Board independence

Oppose Votes

Company	Date		Resolution	Reason
Diageo	23.09.15	2	Approve Remuneration Report	Poor performance hurdles; significant vesting at median
		5	Re-elect Lord Davies	Chair Remuneration Committee; poor performance link
Rank Group	15.10.15	7	Re-elect Ian Burke	Chairman is former CEO; insufficient independence

Abstain Votes

Company	Date		Resolution	Reason
MITIE Group	13.07.15	2	Approve Remuneration Report	Remuneration tiered towards soft performance targets
		18	Approve 2015 LTIP	Significant vesting at median; poor performance link
Next 15 Communications	14.07.15	2	Approve Remuneration Report	CEO base salary significantly above peer average
Land Securities	23.07.15	3	Approve Remuneration Report	Vesting structure reduced; awards potentially excessive
C&W Communications	21.07.15	14	Re-appoint Auditors	No tender for 10 years; no tender planned before 2021
Halma	23.07.15	17	Increase Aggregate NED Fees	Excessive ceiling; additional £250,000 requested
Tate & Lyle	29.07.15	14	Approve Remuneration Report	Excessive recruitment award for CFO
Nationwide Building Society	23.07.15	2	Approve Remuneration Report	Excessive base salary and significant pension supplement
Ashtead Group	02.09.15	2	Approve Remuneration Report	Significant ratcheting in grants under incentive schemes
Trifast	16.09.15	2	Approve Remuneration Report	Unchallenging variable pay and short-term focus
		9	Re-appoint Auditors	No audit tender for 20 years; excessive non-audit fees
Dart Group	03.09.15	4	Re-appoint Auditors	No audit tender for 10 years; no tender proposal disclosed
SuperGroup	09.09.15	2	Approve Remuneration Report	Significant base salary increases without justification

The following votes were registered in support of management

Company	Date	Resolutions	Action
N Brown	14.07.15	16	For All Resolutions
1Spatial	15.07.15	7	For All Resolutions
Severn Trent	15.07.15	19	For All Resolutions
London Metric Property	16.07.15	18	For All Resolutions
JP Morgan Japan Smaller Companies	17.07.15	12	For All Resolutions
e2V Technologies	15.07.15	15	For All Resolutions
HICL Infrastructure Company	21.07.15	15	For All Resolutions
AO World	21.07.15	16	For All Resolutions
Electrocomponents	23.07.15	17	For All Resolutions
Johnson Matthey	22.07.15	20	For All Resolutions
Assura	21.07.15	15	For All Resolutions
QinetiQ	22.07.15	18	For All Resolutions
Dee Valley Group	23.07.15	10	For All Resolutions
SSE	23.07.15	18	For All Resolutions
Scapa Group	21.07.15	12	For All Resolutions
Quantum Pharma	21.07.15	12	For All Resolutions
Royal Mail	23.07.15	19	For All Resolutions
United Utilities Group	24.07.15	18	For All Resolutions
Pennon Group	30.07.15	17	For All Resolutions

The following votes were registered in support of management

Company	Date	Resolutions	Action
KCOM Group	31.07.15	16	For All Resolutions
Hayward Tyler	30.07.15	8	For All Resolutions
Weiss Korea Opportunities Fund	29.07.15	9	For All Resolutions
Bonmarché Holdings	30.07.15	15	For All Resolutions
HICL Infrastructure Company (EGM)	12.08.15	1	For Resolution
John Laing Environmental Assets Group Ltd.	13.08.15	9	For All Resolutions
Melrose Industries (EGM)	21.08.15	1	For Resolution
BACIT Group	08.09.15	15	For All Resolutions
Greene King	08.09.15	18	For All Resolutions
Oxford Instruments	08.09.15	16	For All Resolutions
Berkeley Group	08.09.15	24	For All Resolutions
Alent (EGM)	09.09.15	1	For Resolution
Alent (CRT)	09.09.15	1	For Resolution
600 Group	17.09.15	9	For All Resolutions
Tesco (EGM)	30.09.15	1	For Resolution
Pinewood Group	28.09.15	11	For All Resolutions
Atlantis Japan Growth Fund	02.10.15	11	For All Resolutions
Anglesea Mining	28.09.15	13	For All Resolutions
Hellemanntyton (EGM)	09.10.15	1	For Resolution

FTSE 100 Board Diversity*

Company	Rank	%	Comment
Severn Trent	76	25%	Meets Davies criteria - significant improvement on 2014
Burberry	58	33%	Significantly exceeds Davies criteria
BT Group	21	30%	Significantly exceeds Davies criteria – significant improvement on 2014
Johnson Matthey	61	20%	Marginal fall on 2014; close to meeting Davies diversity criteria
National Grid Group	20	27%	Meets Davies criteria - marginal increase on 2014
British Land	53	25%	Meets Davies criteria – significant increase on 2014
Land Securities	49	33%	Significantly exceeds Davies criteria
SSE	32	29%	Comfortably exceeds Davies criteria; marginal increase on 2014
Royal Mail	97	33%	Significantly exceeds Davies criteria
Experian	42	33%	Significantly exceeds Davies criteria
United Utilities Group	63	25%	Meets Davies criteria - no change on 2014
Vodafone Group	10	27%	Meets Davies criteria – slight improvement on 2014
Ashtead Group	65	11%	Significantly below Davies criteria – no improvement on 2014; engagement
Dixons Carphone	72	23%	Close to meeting Davies criteria
Diageo	14	40%	Industry Leader - significantly exceeds Davies criteria

International Corporate Governance Report

Quarter to 30 September 2015

PROFIT WITH PRINCIPLES



International Key Events: Quarter to 30 September 2015

- Eight executives including the Chief Executive have resigned from the Board of **Toshiba** following a damning report into accounting misconduct at the Japanese electronics giant. The independent report said that profits overstatement amounting to Y151bn had been going on for seven years and occurred in the full knowledge of senior management
- **Italy** has updated its **corporate governance code** adding amendments focused on the need for more effective internal risk controls. The new code places a greater responsibility on the board to communicate and manage risks that could jeopardize medium and long-term performance
- **South Korea's** Financial Supervisory Service (FSS) is considering placing restrictions on proxy advisory firms, following the lead given by the SEC in the US. The SEC has ordered proxy service providers to disclose to investors any 'significant' or 'material' interests they may have in cases affecting their vote recommendations
- **JP Morgan** Chairman and Chief Executive lashed out at investors for following the advice of proxy service providers, as 38.1% of proxies cast opposed the company's executive compensation. This follows a series of shareholder revolts at the US bank for failing to link pay with performance
- **Bank of America** has conceded to shareholder pressure to hold a vote on the company's decision to combine the roles of Chairman and Chief Executive. This comes in the wake of the Bank ignoring a vote passed in 2009 to separate the roles. The Bank has agreed to hold a vote 'no later than next year's AGM'; in the event the vote to separate the roles was not passed

International Key Events: Quarter to 30 September 2015

- The SEC has approved a rule requiring US companies to reveal the **pay differential** between the CEO and the median compensation of a 'typical worker' beginning in 2017, but in response to strong opposition from some companies, the metric will only have to be updated every three years
- Whilst **Google** announced it would reorganise itself as a new holding company '**Alphabet**' there will be no change to the corporate governance with voting rights remaining firmly with the founders Larry Page and Sergey Brin
- It has come to light that **Alcatel-Lucent** CEO, Michel Combes who resigned after the merger with Nokia, stands to receive €13.7m in accelerated stock awards based on just two years' tenure at the French telecom giant. The pay-out has provoked political condemnation not least as €4.5m of stock was granted in the form of a no-compete agreement, despite the CEO being appointed to a rival 'with immediate effect'
- A corruption probe has cost the jobs of the CEO and two other executives at **United Airlines** as it came to light executives sought influence with the operator of the airline's Newark hub by diverting flights closer to its Chairman's home in a bid to influence airport expansion
- The **OECD** has updated its **Corporate Governance principles** with a new emphasis on the role of all market participants in upholding governance standards via cross-border collaboration. New recommendations include pay disclosure, board evaluation and disclosure of non-financial metrics

International Proxy Voting: Quarter to 30 September 2015

	For	Oppose	Abstain	Total
Resolutions	111	23	1	135
%	82	17	1	100
Meetings				19
Shareblocking				

Reason for Action	Oppose	Abstain
Executive Compensation	2	-
Board Balance (Directors)	9	1
Shareholder Capital Issues	7	-
Other	5	-

Meeting Region	No.
Europe (EU) ¹	6
Europe – Other	
USA/Canada	1
HK/Singapore	9
Japan	1
Asia – Other	
Australia/NZ	
Emerging ²	2
Total	19

1 Ex-UK (see separate report)

2 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
Amiad Water Systems Limited	28.07.15	12	Indemnify Mr O Rosen	Unreasonable exemption from liability provision
		13	Indemnify Mr G Fortuna	Unreasonable exemption from liability provision
Boustead Projects Limited	30.07.15	8	Appoint Auditor & Set Fees	Insufficient audit fee disclosure
Boustead Singapore Ltd.	30.07.15	3	Elect Mr C Cheong	No independent lead director
		5	Elect Mr W Fui	Insufficient independence on the Board
		9	Grant Restricted Shares	Non-executive participation in incentive plans
Mologen Holding AG	29.07.15	6	Ratify Supervisory Board Acts	Board failed to act in interests of shareholders
		8	Elect Mr O Krautschied	Connected director; conflict of interest issues
Fujikon Industrial Holdings	14.08.15	7	Elect Mr L Pun	Chair Audit Committee insufficient Committee oversight
		10	Issue Shares w/o Pre-emption	Issue price discount not disclosed
		12	Issue Repurchased Shares	Issue price discount not disclosed
Luk Fook Holdings International	19.08.15	8	Elect Mr S Chung	Time concerns; serves on too many boards
		9	Elect Mr S Kwan	Chair Compensation Committee; NED consultancy fees
		12	Issue Shares w/o Pre-emption	Issue price discount not disclosed
		14	Issue Repurchased Shares	Issue price discount not disclosed
Texwinca Holdings Ltd.	06.08.15	6	Elect Mr T Chung	Executive director serves on Compensation Committee
		9	Elect Mr B Nin	Chair Audit Committee insufficient Committee oversight
		13	Issue Shares w/o Pre-emption	Issue price discount not disclosed

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

Oppose Votes

Company	Date		Resolution	Reason
Texwinca Holdings Ltd.	06.08.15	14	Issue Repurchased Shares	Issue price discount not disclosed
KPN NV	11.09.15	3	Amend Articles	Amendments not in shareholder interests
Entertainment One	16.09.15	8	Elect Ms C Copeland	Chair Remuneration Committee; poor performance link
		22	Approve Share Scheme	Applies sole share price metric; poor performance link
		24	Approve Remuneration Policy	EIS utilises share price metric; poor performance link

Abstain Votes

Company	Date		Resolution	Reason
Vietnam Holding Limited	15.09.15	3	Elect Mr R Dubs	Insufficient directors on Board

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Boustead Singapore Ltd. (EGM)	Singapore	30.07.15	1	For Resolution
GDF Suez	France	29.07.15	2	For Resolution
Mapletree Industrial Trust	Singapore	15.07.15	3	For All Resolutions
Petroleo Brasileiro S.A (EGM)	Brazil	01.07.15	1	For Resolution
Rexel SA	France	27.07.15	3	For All Resolutions
Hawaiian Electric Industries Inc.	USA	20.08.15	5	For All Resolutions
REA Finance BV	Netherlands	27.08.15	1	For Resolution
China Merchants Holdings (Pacific) Limited	Singapore	14.09.15	3	For All Resolutions
TechnoPro Holdings Inc.	Japan	29.09.15	12	For All Resolutions

Our Partners

We work with national and international partners to deliver proxy voting





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