



Global Corporate Governance Report

Proxy Voting Report: Quarter to 30 September 2017

PROFIT WITH PRINCIPLES

UK Corporate Governance Report

Quarter to 30 September 2017

PROFIT WITH PRINCIPLES

UK Key Events: Quarter to 30 September 2017

- In a bizarre twist, **Morrison (Wm.)** has claimed it has increased the variable element of the Chief Executive's remuneration after shareholder representations that he be paid more. As a result, the long-term incentive award has been increased to a 'normal' 300%, however it did not prevent a revolt in which 48% of proxies cast opposed the non-binding Remuneration Report
- **Burberry** incurred another shareholder revolt over excessive executive pay as 31.5% of proxies cast failed to support the take-note Remuneration Report. However, the company's binding Policy vote was passed comfortably
- **NEX** (formerly **ICAP**) Chairman, Charles Gregson, has been forced to reimburse £25,000 in political donations used to support five Conservative Party candidates in Liberal Democrat held seats. The donations of £5,000 per candidate were used specifically to target 'Remain' candidates and caused widespread shareholder condemnation. The Chairman said he will personally reimburse expended amounts
- The **Nationwide Building Society** has incurred sharp criticism over its handing a £3.4m pay package to the incoming CEO, Joe Garner, which includes £1m in compensation and 'golden hellos'. The Building Societies Members Association has urged members to vote against remuneration. EIM voted to oppose
- In the wake of its recent accounting scandal, **BT Group** saw significant opposition to the adoption of the Report and Accounts and re-appointment of auditors with 18.5% and 21.1% opposing respectively

UK Key Events: Quarter to 30 September 2017

- The FCA has published draft changes to regulation that would allow a watering down of the listing rules for companies with a sovereign state as a controlling shareholder, and is widely seen as a way of allowing Saudi Arabia's **Aramco** to achieve a premium listing in London, which would otherwise be disallowed
- The **FRC** has been forced to abandon its tough approach to policing the Stewardship Code after half of the managers listed as Tier III left the Code rather than make necessary improvements to achieve Tier I and Tier II
- As the 2017 proxy voting season closes, it remains moot whether shareholders have policed their powers to rein in pay. With few defeats, some notable 'revolts' include pay policy at **Experian** attracting 24.5% opposition, the Remuneration Report at **National Grid** 12.9% opposition, and the new incentive plan at **QinetiQ** 35.9%
- The UK Government has released its proposals for the **reform of corporate governance**; mandatory annual votes on remuneration as well as worker-directors are dropped. Disclosure of pay ratios, a public 'register' of votes attracting more than 20% opposition and proposals to give workers a 'voice in the Boardroom' without their joining the Board, are the main watered-down plans
- Analysis suggests that a third of the FTSE100 would appear on the proposed register of companies that saw investor dissent over pay exceeding 20% - 19 have faced revolts two years in succession; the worst offenders were identified as **Ashtead**, **Morrison (Wm)** and **WPP**

UK Proxy Voting: Quarter to 30 September 2017

	For	Oppose	Abstain	Total		
Resolutions	843	45	11	899	Equity	Fixed
%	94	5	1	100	61	1
Meetings				62		

Reason for Action	Oppose	Abstain
Remuneration Report	22	4
Board Balance (Directors)	8	2
Individual Incentive Schemes	2	0
Auditors	5	3
Other	8	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
Marks & Spencer	11.07.17	2	Approve Remuneration Report	Unjustified bonus; poor performance link
BT Group	12.07.17	2	Approve Remuneration Report	Unjustified LTIP grant given BT Italia scandal
		3	Approve Remuneration Policy	Excessive in aggregate; over 600% available
		8	Re-elect Mr T Ball	Chair Remuneration Committee; discretion not shown
Renewi	13.07.17	11	Re-appoint Auditors	No audit tender since 1994; no proposal until 2020
Helical	13.07.17	12	Re-elect Mr M O'Donnell	Chair Remuneration Committee; performance disconnect
		15	Approve Remuneration Report	Excessive in aggregate; over 600% salary available
RPC Group	19.07.17	13	Increase Aggregate Director Fees	Doubling of headroom to £1m without justification
Severn Trent	19.07.17	13	Re-appoint Auditors	Incumbent auditor re-appointed; excessive non-audit fees
Royal Mail Group	20.07.17	2	Approve Remuneration Report	Excessive short-term variable pay; poor performance link
		8	Re-elect Ms O Ni-Chionna	Chair, Remuneration Committee; poor performance link
Experian	20.07.17	2	Approve Remuneration Report	Significant vesting at threshold; poor value overall
		3	Approve Remuneration Policy	Aggregate awards of 800% available; excessive
		7	Re-elect Mr R Davis	Chair, Remuneration Committee; poor overall structure
<i>Nationwide Building Society</i>	20.07.17	2	Approve Remuneration Report	Over £1m awarded in compensation to incoming CEO
		3	Approve Remuneration Policy	Excessive in aggregate; £500K in pension & benefits
Homeserve	17.07.17	3	Approve Remuneration Policy	Superfluous bonus matching scheme adds no value
		17	Re-appoint Auditors	No audit tender since 2002; no tender proposal until 2024

* 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
Trifast	27.07.17	8	Re-appoint Auditors	No audit tender for over 20 years; no tender proposed
Tate & Lyle	27.07.17	2	Approve Remuneration Policy	Excessive in aggregate; significant vesting at threshold
		3	Approve Remuneration Report	Significant vesting at threshold; over 400% awarded
Johnson Matthey	28.07.17	3	Approve Remuneration Policy	Significant increase in quantum without justification
		18	Approve Performance Share Plan	Significant increase in maximum; excessive in aggregate
Vodafone Group	28.07.17	14	Approve Remuneration Policy	Maximum opportunity increased to 775%; excessive
		15	Approve Remuneration Report	675% salary paid in 2016; significant vesting at median
National Grid Group	31.07.17	16	Approve Remuneration Policy	Excessive in aggregate; poor performance link
		17	Approve Remuneration Report	Over 440% awarded in 2016; excessive in aggregate
		18	Approve Political Expenditure	Mandate for £125,000 sought; breaches EIM limit
Anglesey Mining	01.09.17	6	Re-elect Mr D Lean	Non-independent NED; 50% Board attendance
		7	Re-elect Mr H Miller	Non-independent; 25% Board attendance
DS Smith	05.09.17	3	Approve Remuneration Policy	Potentially excessive in aggregate; increased limits
		15	Increase Aggregate NED Fees	Increase in overall ceiling unjustified; increase to £1m
		16	Approve 2017 PSP	Poor structure; three potential maximum targets
Dixons Carphone	07.09.17	2	Approve Remuneration Report	Tax compensation awarded under variable incentives
		6	Re-elect Mr T DeNunzio	Chair, Remuneration Committee; tax compensation paid
		14	Re-appoint Auditors	No change in auditor since 2002; no tender before 2023
Supergroup	12.09.17	14	Approve Political Expenditure	Mandate of £150,000 sought ; breaches EIM limit

Oppose Votes

Company	Date		Resolution	Reason
Ashtead Group	12.09.17	2	Approve Remuneration Report	Excessive in aggregate; over 400% salary awarded
Diageo	20.09.17	2	Approve Remuneration Report	Unchallenging performance hurdles; 700% salary excess
		3	Approve Remuneration Policy	Awards of 700% salary; poor link to performance; excess
		6	Re-elect Lord Davies	Chair Remuneration Committee; performance, excessive
Palace Capital (EGM)	06.10.17	1	Allotment; Placing and Offer	Scheme and proposals not in shareholder interests
		2	Allotment; One Third of Equity	Scheme and proposals not in shareholder interests
		3	Dis-apply Pre-emption Rights	Scheme and proposals not in shareholder interests
		4	Dis-apply Pre-emption Rights	Scheme and proposals not in shareholder interests

Abstain Votes

Company	Date		Resolution	Reason
Marks & Spencer	11.07.17	2	Approve Remuneration Policy	Potentially excessive in aggregate
BT Group	12.07.17	17	Re-appoint Auditors	Tender in hand; PwC implicated in BT Italia scandal
Land Securities	13.07.17	2	Approve Remuneration Report	Excessive vesting at threshold; performance link
Babcock International	13.07.17	5	Re-elect Mr M Turner	Chairman; potential conflict of interest; two FTSE chairs
Renewi	13.07.17	18	Amend Articles of Association	NED aggregate fee headroom request is excessive
British Land	18.07.17	2	Approve Remuneration Report	Excessive vesting at threshold; performance link
RPC Group	19.07.17	2	Approve Remuneration Report	Significant increase in base salaries without justification
Camper & Nicholson's Marina Inv.	01.08.17	1	Approve Fundraising	Fund Manager Decision; sale of holding in progress
Anglesey Mining	01.09.17	4	Re-elect Mr J Kearney	Executive Chair; insufficient independence; no review
Greene King	08.09.17	12	Re-appoint Auditors	No tender since 1997; tender proposed within four years
Ashtead Group	12.09.17	13	Re-appoint Auditors	No tender since 2004; proposed tender delayed until 2024

The following votes were registered in support of management

Company	Date	Resolutions	Action
LondonMetric Property	11.07.17	21	For All Resolutions
JP Morgan Japan Smaller Companies IT	13.07.17	9	For All Resolutions
Montanaro UK Smaller Companies IT	17.07.17	15	For All Resolutions
HICL Infrastructure Company Ltd.	17.07.17	15	For All Resolutions
British American Tobacco (EGM)	19.07.17	1	For Resolution
N Brown Group	18.07.17	15	For All Resolutions
Halma	20.07.17	20	For All Resolutions
Scapa Group	18.07.17	17	For All Resolutions
SSE	20.07.17	18	For All Resolutions
Weiss Korea Opportunities Fund Ltd.	19.07.17	8	For All Resolutions
Fidelity China Special Situations IT	26.07.17	15	For All Resolutions
DS Smith (EGM)	25.07.17	1	For Resolution
KCOM	21.07.17	16	For All Resolutions
Volex	25.07.17	10	For All Resolutions
FreeAgent Holdings	26.07.17	11	For All Resolutions
Bonmarché	27.07.17	18	For All Resolutions
United Utilities	28.07.17	23	For All Resolutions
IP Group	10.08.17	2	For All Resolutions
Horizon Discovery	07.08.17	2	For All Resolutions

The following votes were registered in support of management

Company	Date	Resolutions	Action
John Laing Environmental Assets	16.08.17	9	For All Resolutions
Co-operative Bank (CRT)	21.08.17	1	For Resolution
Co-operative Bank	21.08.17	7	For All Resolutions
Berkeley Group	06.09.17	22	For All Resolutions
MDY Healthcare (EGM)	05.09.17	1	For Resolution
Schroder Real Estate IT	08.09.17	12	For All Resolutions
Syncona Limited	08.09.17	14	For All Resolutions
Oxford Instruments	12.09.17	18	For All Resolutions
Atlantis Japan Growth Fund Limited	15.09.17	11	For All Resolutions
Eco Animal Health Group	19.09.17	6	For All Resolutions
600 group	20.09.17	8	For All Resolutions
Eckoh	20.09.17	12	For All Resolutions
NCC Group	21.09.17	18	For All Resolutions
NCC Group (EGM)	21.09.17	1	For Resolution
Park Group	21.09.17	11	For All Resolutions
Land Securities (EGM)	27.09.17	6	For All Resolutions

FTSE 100 Board Diversity*

Company	Rank	%	Comment
Marks & Spencer	81	30%	Meets Hampton-Alexander 2020 target; meets Davies 2015 target
BT Group	21	25%	Meets Davies 2015 diversity target; slight reduction since 2016
Land Securities	50	30%	Meets Hampton-Alexander 2020 target; meets Davies 2015 target
Babcock International	93	18%	Poor diversity overall; does not meet 2015 Davies diversity target - Engage
British Land	66	27%	Comfortably meets Davies diversity criteria; close to meeting 2020 target
Severn Trent	83	44%	Strongly exceeds Hampton-Alexander 2020 target; increased from 33%
Royal Mail Group	100	50%	Strongly exceeds Hampton-Alexander 2020 target; increased from 38%
SSE	34	33%	Exceeds Hampton-Alexander 2020 target; meets Davies 2015 target
Experian	35	27%	Comfortably meets Davies diversity criteria; close to meeting 2020 target
United Utilities	65	30%	Meets Hampton-Alexander 2020 target; meets Davies 2015 target
National Grid Group	19	27%	Comfortably meets Davies diversity criteria; reduction on 2016 diversity
Vodafone Group	11	36%	Strongly exceeds Hampton-Alexander 2020 target; increased from 25%
Johnson Matthey	64	33%	Strongly exceeds Hampton-Alexander 2020 target; significant improvement
DS Smith	98	25%	Meets Davies 2015 diversity target
Diageo	9	44%	Strongly exceeds Hampton-Alexander 2020 target

FTSE 250 Board Diversity Identified for Engagement*

Company	Rank	%	Comment
LondonMetric Property	288	9%	Single woman on 11 person Board – Engage
Greene King	169	14%	Single woman on seven person Board – Engage
Supergroup	245	14%	Single woman on Board but two NEDs have recently left - Monitor

International Corporate Governance Report

Quarter to 30 September 2017

PROFIT WITH PRINCIPLES

International Key Events: Quarter to 30 September 2017

- Following long-standing investor criticism, electric auto manufacturer, **Tesla** has appointed two independent directors to the Board as six of the company's directors are connected to founder Elon Musk
- US healthcare giant **McKesson** saw its 'say on pay' rejected by a commanding 73.5% dissent for the second time; in response the company has said it will 'revamp' compensation and separate the roles of Chair and Chief Executive
- Australia's Financial Intelligence Agency (Austrac) is to sue **Commonwealth Bank** over its failure to act on suspicion that its intelligent deposit machines were being used to launder money. The Agency alleges that transactions worth \$77m represented proceeds from illegal sale and distribution of drugs
- According to the Chairman of the **African Corporate Governance Network** (ACGN) improvements in African governance are required in order to sustain socio-economic development. At the 11th ACGN conference delegates from 19 African countries considered moves to create an 'African corporate governance spirit'
- There is evidence that investors in **Swiss companies** are increasingly prepared to oppose management proposals, particularly over executive pay. Among the Swiss SPI index, resolutions on average attracted 95.4% support compared to 96.3% in 2016. Overall 14% of all resolutions gained less than 90% support, and 7% less than 80% support. On remuneration 21% of proposals attracted less than 80% support from shareholders

International Key Events: Quarter to 30 September 2017

- The 'fake accounts' scandal engulfing **Wells Fargo** has deepened after the bank admitted a further 1 million accounts were opened without client consent, bringing the total to around 3.5 million. The bank has announced the retirement of Chairman, Stephen Sanger, and two other non-executives in a bid to assuage growing investor ire
- Research by the **Singapore** Securities Investors Association found that just 11% of Singapore CEOs receive long-term incentive awards, whilst 31% had no short-term bonus schemes in place
- A **Dutch Stewardship Code** has been published, and will replace an informal 'best practice' code published in 2011. The Code will contain 11 Principles and signatories will be expected to make a statement on how the Principles have been implemented on a 'comply or explain' basis
- In the wake of its merger with the LSE collapsing, **Deutsche Börse** has introduced a cap on total remuneration of its executive Board members. Under proposals fixed and variable compensation will be limited to €9.5m per executive

International Proxy Voting: Quarter to 30 September 2017

	For	Oppose	Abstain	Total
Resolutions	84	22	6	112
%	75	20	5	100
Meetings				19
Shareblocking				-

Meeting Region	No.
Europe ¹	6
USA/Canada	1
HK/Singapore	10
Japan	-
Asia – Other ³	-
Australia/NZ	-
Emerging ²	2
Total	19

Reason for Action	Oppose	Abstain
Executive Compensation	3	-
Board Balance (Directors)	11	1
Shareholder Capital Issues	7	-
Other	1	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
Boustead Projects Limited	27.07.17	4	Elect Mr C Hong	Insufficient independence on Board committees
Boustead Singapore Limited	27.07.17	4	Elect Mr C Cheong	Insufficient independence on the Board
		8	Restricted Share Plan Issuance	Non-executive participation in incentive awards
Atlantia	02.08.17	2	Phantom Stock Options	Scheme has no link to performance; poor value
Electronic Arts Inc.	03.08.17	11	Executive Compensation	Compensation in aggregate is excessive
		13	Ratify Auditors	No change in auditor for 30 years; no tender proposed
Fujikon Industrial Holdings Limited	11.08.17	5	Elect Mr J Chi Hung	Poor independence overall; insider on two committees
		6	Elect Mr S Sai	Poor overall governance; related party transactions
		7	Elect Mr M Yan	Poor overall governance; related party transactions
		10	Issue Shares w/o Pre-emption	Issue price discount not disclosed; potential dilution
		12	Issue Repurchased Shares	Issue price discount not disclosed; potential dilution
Luk Fook Holdings (International) Ltd	23.08.17	5	Elect Mr W Sheung	Insufficient independence on Board committees
		6	Elect Mr W Yeung	Insufficient independence on Board committees
		8	Elect Mr A Leung	Audit Committee met insufficiently; non-independent
		9	Elect Ms M Pok	Non-executive in receipt of a salary as well as NED fees
		12	Issue Shares w/o Pre-emption	Issue price discount not disclosed; potential dilution
		14	Issue Repurchased Shares	Issue price discount not disclosed; potential dilution
Medios	28.08.17	15	Increase Authorised Capital	Potential dilution exceeds recommended threshold
Texwinca Holdings Limited	10.08.17	5	Elect Mr P Chak	Poor overall governance; related party transactions
		6	Elect Mr T Chung	Poor independence overall; insider on Board committee

* 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 Limited	10.08.17	13	Issue Shares w/o Pre-emption	Issue price discount not disclosed; potential dilution
		14	Issue Repurchased Shares	Issue price discount not disclosed; potential dilution

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

Abstain Votes

Company	Date		Resolution	Reason
MW Japan Fund plc	12.07.17	1	Accounts and Reports	Insufficient information provided to take a view
		2	Appointment of Auditor	Insufficient information provided to take a view
		3	Authority to Set Auditor's Fees	Insufficient information provided to take a view
Vietnam Holding Ltd.	13.09.17	1	Accounts and Reports	Insufficient information provided to take a view
		3	Elect Mr R Dubs	Insufficient information provided to take a view
		5	Appointment of Auditor/Set Fees	Insufficient information provided to take a view

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Boustead Projects Limited (EGM)	Singapore	27.07;.17	4	For All Resolutions
Boustead Singapore Limited	Singapore	27.07.17	2	For All Resolutions
Mapletree Logistics Trust	Singapore	17.07.17	3	For All Resolutions
Amiad Water Systems Limited	Israel	03.08.17	10	For All Resolutions
Akzo Nobel NV	Netherlands	08.09.17	1	For Resolution
KPN NV	Netherlands	04.09.17	1	For Resolution
Mapletree Logistics Trust	Singapore	13.09.17	2	For All Resolutions
Noble Group Limited	Hong Kong	05.09.17	1	For Resolution
RELX NV	Netherlands	26.09.17	1	For Resolution

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