

# Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 March 2019

PROFIT WITH PRINCIPLES

**16** PEACE, JUSTICE  
AND STRONG  
INSTITUTIONS



# Corporate Governance: Sustainable Development Goal 16

## Goal #16 Peace, Justice and Strong Institutions

- Strong governance and accountable institutions is covered by SDG #16
- *Substantially reduce corruption and bribery in all their forms*
- *Develop effective, accountable and transparent institutions at all levels*
- *Broaden and strengthen the participation of developing countries in the institutions of global governance*



We vote in all markets and at all meetings in respect of:

- Our active share ownership
- Our obligations under the UK Stewardship Code
- Our Corporate Governance ESG screen
- Our commitment to transparency under SDG #16

# Corporate Governance Voting Policy: Our Approach

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- We publish our UK and International Corporate Governance Voting Policies at [www.edentreeim.com](http://www.edentreeim.com)
- Policies are reviewed annually. Our overarching Corporate Governance Policy is as follows:
  - *EdenTree Investment Management (EIM) supports the principle of considered voting believing that proxies have an economic and stewardship value, and that shareholders have a vital role to play in encouraging high standards of corporate governance from the perspective of being long-term investors. EIM will therefore seek to vote at all meetings in which it has a shareholding. In very exceptional cases, EIM may elect to abstain from voting where companies have provided insufficient information for us to take a view*
  - *EIM has adopted a policy of voting in support of company management except where proposals are considered to be in breach of corporate governance best practice, or are viewed as not being in the economic interests of shareholders*
- For the purposes of SRDII<sup>1</sup> we use IVIS<sup>2</sup> as our UK research provider; IVIS does not provide vote recommendations – all decisions are taken by EIM. Glass Lewis & Co. votes our overseas proxies in accordance with an agreed policy template
- All proxies voted in support of management (pages 10 and 20) are voted in line with Policy
- For more information on our approach to proxy voting please contact [information@edentreeim.com](mailto:information@edentreeim.com)

<sup>1</sup> SRDII – Shareholder Rights Directive II effective 2019; <sup>2</sup> Institutional Voting Information Service

# UK Corporate Governance Report

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Quarter to 31 March 2019

PROFIT WITH PRINCIPLES

## UK Key Events: Quarter to 31 March 2019

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- The FRC (Financial Reporting Council) has sent a stern warning to the **Big Four audit practices** not to subvert EU rotation rules, as it comes to light PwC has mooted sub-contracting the UK audit for Goldman Sachs to a lower-tier auditor. PwC has been Goldman auditor since 1922, and will be required to stand down under EU rotation rules. The FRC has warned against “rotation(s) in form but not in substance”
- Reeling from criticism that it did not spot fraud at **Patisserie Valerie**, auditors Grant Thornton were heavily condemned by the Parliamentary Business, Energy and Industrial Strategy Committee after the auditor said that “they did not look for fraud when carrying out an audit”
- **Compass Group** saw 37% oppose the re-election of a director due to ‘over-boarding’ concerns; EIM supported her re-election as she had a full attendance record throughout the year; where 75% or fewer meetings are attended with four or more additional appointments, EIM will oppose
- Restaurant group **Mitchells & Butlers** saw high opposition to the re-election of five directors who each attracted over 20% opposition. Two connected directors attracted over 27% oppose votes owing to the very poor levels of independence on the Board
- The investment manager **Schroders** has nominated the daughter of Bruno Schroder to succeed him despite having no experience or skills in investment management or financial services
- **Anglo American** CEO doubled his remuneration in 2018 to £14.7m inciting renewed criticism of long-term incentive schemes that reward disproportionately in volatile sectors such as mining

## UK Key Events: Quarter to 31 March 2019

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- **Standard Life-Aberdeen** has bowed to investor pressure and announced its dual-CEO approach will cease from April, when the former CEO of Aberdeen becomes Vice-Chair to focus on clients. The role will be paid at £600,000 per annum with a bonus opportunity half the amount paid previously
- It has been revealed that the former CEO of **Persimmon** was handed a further £39m in pay and bonuses bringing his total incentive pay under the discredited scheme to £85m in two years, and were more than the £75m projected by the company; his successor as CEO has already received over £40m under the incentive scheme that cost the company its Chair, Remuneration Committee head, and latterly the CEO
- Pension contributions appear to be among the flashpoints for investors during this year's proxy season as the spotlight falls on the disproportionate cash contribution executives receive. **Standard Chartered** has attracted early ire as the company announced its CEO received £474,000 in pension – the highest of any UK bank; **HSBC** has announced pension has been reduced from 30% to 10% of salary
- The UK Government has announced it is to abolish the **FRC** and establish a new regulator, the 'Audit Reporting and Governance Authority'. The regulator will have powers to force accounting amendments and will be able to prosecute individual directors for audit and accounting failures

## UK Proxy Voting: Quarter to 31 March 2019

	For	Oppose	Abstain	Total		
Resolutions	219	16	7	242	Equity	Fixed
%	90	7	3	100	20	1
Meetings				21		

Reason for Action	Oppose	Abstain
Remuneration Report	7	3
Board Balance (Directors)	5	2
Individual Incentive Schemes	0	0
Auditors	2	2
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
WH Smith	22.01.19	2	Approve Remuneration Report	Over 500% awarded; poor performance link; excessive
		3	Approve Remuneration Policy	Over 500% awarded; poor performance link; excessive
		7	Re-elect Ms A Durban	Chair Remuneration Committee; Board has overpaid
Mitchells & Butlers	23.01.19	5	Re-elect Mr E Irwin	Poor Board balance; non-independent connected NED
		6	Re-elect Mr B Ivell	Chair Nomination Committee; poor diversity policy
		9	Re-elect Mr R Robson	Poor Board balance; non-independent connected NED
Royal Bank of Scotland (EGM)	06.02.19	1	Authorise Buy Backs	Not in shareholder interests; shares at high discount
Urban & Civic	13.02.19	2	Approve Remuneration Report	Poor performance link; excessive in aggregate
		11	Re-appoint Auditors	No tender for 18 years; no tender in prospect
Future	07.02.19	2	Approve Remuneration Report	50% of LTIP based on share price; excessive overall
		3	Approve Remuneration Policy	Ratcheting of pay without justification; excessive overall
		10	Re-elect Mr D Hayton	Chair Remuneration Committee; poor oversight of pay
		11	Re-appoint Auditors	No tender for 19 years; no tender in prospect
Compass Group	07.02.19	2	Approve Remuneration Report	Excessive in aggregate; poor performance link
GCP Infrastructure Inv. (EGM)	14.02.19	1	Dis-apply Pre-emption Rights	Combined pre-emption breaches best practice; dilution
Blue Prism	19.03.19	4	Approve Remuneration Report	Significant ratcheting of remuneration; poor disclosure

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



# Abstain Votes

Company	Date		Resolution	Reason
Connect Group	31.01.19	10	Re-appoint Auditors	No tender for 13 years; EdenTree policy breach
GCP Infrastructure Investment	14.02.19	2	Approve Remuneration Report	Additional payment to NEDs for making each placing
Sage Group	27.02.19	2	Re-elect Sir D Brydon	Chair, Nomination Committee; poor overall diversity
		13	Approve Remuneration Report	Excessive benefits paid to CFO; high vesting at median
		14	Approve Remuneration Policy	Unjustified increase in short-term variable pay
Blue Prism	19.03.19	6	Re-elect Ms C Carmichael	Member Audit Committee; poor overall attendance
Leeds Building Society	04.04.19	2	Re-appoint Auditors	Excessive tenure; incumbent re-appointed in 2016

## The following votes were registered in support of management

Company	Date	Resolutions	Action
Connect Group	31.01.19	17	For All Resolutions
Tracsis	23.01.19	11	For All Resolutions
Victrex	06.02.19	24	For All Resolutions
Blue Prism (EGM)	11.02.19	1	For Resolution
Caledonian Trust	18.02.19	3	For All Resolutions
Gooch & Housego	14.02.19	15	For All Resolutions
Greencoat UK Wind (EGM)	25.02.19	2	For All Resolutions
Actual Experience	01.03.19	8	For All Resolutions
Daily Mail & General Trust (EGM)	26.03.19	1	For Resolution
HICL Infrastructure Company Ltd (EGM)	26.03.19	4	For All Resolutions

# FTSE 100 Board Diversity\*

Company	Rank	%	Comment
Compass Group	26	36%	Significant improvement in diversity over 2018; exceeds Hampton target
Sage Group	55	25%	Meets Davies target; no overall improvement since 2012

\*Data correct at time of voting. 11

# FTSE 250 Board Diversity Identified for Engagement\*

Company	Rank	%	Comment
Mitchells & Butlers	271	10%	Significant continuing laggard; oppose Chair Nomination Committee

\*Data correct at time of voting. 12

# International Corporate Governance Report

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Quarter to 31 March 2019

PROFIT WITH PRINCIPLES

## International Key Events: Quarter to 31 March 2019

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- **Banco Santander** has decided not to appoint Andreas Orcell as its new Chief Executive after balking at the amount it would need to pay to buy him out of his deferred options at UBS. The Bank said it could not meet his pay expectations after it was revealed it would need to pay between \$40-60m to hire him. Chair, Anna Botin spoke of the Bank's 'significant responsibility to the societies in which it operates' as a reason for terminating negotiations
- Australian Boards have seen a big rise in **diversity** with the top 200 companies achieving 29.7% female directors; there are now only four ASX200 companies with no female representation and 45% of all appointments in 2018 were female
- Both the Chairman and CEO of **National Australia Bank** are to leave after a scathing review of its misconduct by the Royal Commission – which directly criticised both and questioned their capacity to lead the scandal-riven bank
- The French authorities have handed down the largest ever fraud penalty of \$5.1bn to **UBS** for aiding clients to evade tax between 2004-2012. A further penalty of \$910m in civil damages were awarded. The fine follows a seven year investigation and UBS refusing to settle an earlier penalty of \$1.1bn
- The **Monetary Authority of Singapore** has formed an industry-wide Corporate Governance Advisory Committee to 'advocate good corporate governance practices among listed companies in Singapore, and follows issue of a new Code

## International Key Events: Quarter to 31 March 2019

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- Controversial 'aviator' Michael O'Leary is in line to receive €99m in share awards if the **Ryanair** share price doubles over five years. Under the scheme, O'Leary has an option to purchase 10m shares at €11.12 which could pay out just shy of €100m if the price rises to €21. At the same time O'Leary has stepped away from running the no-frills airline to take up a Group CEO role
- The death of Hong Kong entrepreneur Peter Wong Man-Kong has left eight listed companies seeking a replacement director, bringing to light the problem of '**over-boarding**' in Asia and how many roles are filled by a small number of appointees

## International Proxy Voting: Quarter to 31 March 2019

	For	Oppose	Abstain	Total
Resolutions	282	35	2	319
%	89	10	1	100
Meetings				22
Shareblocking				-

Meeting Region	No.
Europe <sup>1</sup>	15
USA/Canada	2
HK/Singapore	1
Japan	2
Asia – Other <sup>3</sup>	1
Australia/NZ	1
Emerging <sup>2</sup>	0
<b>Total</b>	<b>22</b>

Reason for Action	Oppose	Abstain
Executive Compensation	7	0
Board Balance (Directors)	11	0
Shareholder Capital Issues	0	0
Other	17	2

- 1 Ex-UK (see separate report)  
 2 Latin America/India/Africa/Israel/Offshore  
 3 Malaysia, Thailand, South Korea, 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
Deere & Co. Inc.	27.02.19	7	Elect Mr C Jones	Chair Nomination Committee; poor Board diversity
		12	Executive Compensation	Compensation in aggregate is grossly excessive
		13	Ratify Auditors	Excessive auditor tenure; auditors in place for 109 years
Graincorp Limited	20.02.19	4	Re-elect Mr P Richards	Time concerns; serves on too many Boards
Infineon Technologies AG	21.02.19	9	Appointment of Auditor	Excessive auditor tenure; auditors in place for 19 years
Mologen AG	26.02.19	4	Shareholder Proposal	Remove Supervisory Board member - Krautscheid
		5	Shareholder Proposal	No confidence vote in executive director Miller
		6	Shareholder Proposal	Elect Ms E Katheder as a Supervisory Board member
		9	Shareholder Proposal	Not in shareholder interest; support Management Board
Novartis AG	28.02.19	9	Compensation Report	Executive compensation is excessive in aggregate
		27	Appointment of Auditor	Excessive tenure; auditor appointed in 1996
		29	Additional Proposals	Poor disclosure; grants unfettered power to Board
Tui AG	12.02.19	14	Ratify Mr K Mangold	Chair, Remuneration Committee; pay is excessive
		15	Ratify Mr F Jakobi	Non-independent employee director; poor independence
		38	Remuneration Report	Remuneration is excessive in aggregate
Apple Inc.	01.03.19	1	Elect Mr J Bell	Serves on too many Boards; time concerns
		10	Executive Compensation	Compensation is grossly excessive in aggregate
		11	Shareholder Resolution	Extend proxy access; not in shareholder interests
		12	Shareholder Resolution	Board qualifications; Board provides sufficient disclosure
Banco Bilbao Vizcaya Argentaria	14.03.19	12	Remuneration Report	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
Deutsche Telekom AG	28.03.19	9	Appointment of Auditor	No tender for 23 years; excessive tenure
Horiba Ltd	23.03.19	2	Elect Mr A Horiba	Board insufficiently independent; Chair Nomination Cttee
ISB Corporation	28.03.19	2	Elect Mr I Wakao	Board insufficiently independent; Chair Nomination Cttee
		7	Retirement Allowance for NEDs	Breach of best practice; poor overall structure
Novo Nordisk	21.03.19	17	Appointment of Auditor	No tender for 37 years; excessive tenure
		24	Shareholder Resolution	Not in shareholder interests; reduce Insulin prices
Samsung Electronics	20.03.19	2	Elect Mr J Wan	Board and Audit Committee lack independence
		5	Elect Mr B Wan (Audit)	Board and Audit Committee lack independence
Swedbank AB	28.03.19	20	Elect Ms U Franke	Poor overall independence; concerns over structure
		29	Appointment of Auditor	No annual appointment of auditor; no tender for 24 years
		31	Remuneration Guidelines	Narrow incentive structure and poor performance link
		39	Shareholder Resolution	Digital voting list; sufficient digital provision exists
		40	Shareholder Resolution	Extend 'lean-concept'; insufficient rationale provided
T Ericsson	27.03.19	18	Elect Mr J Carlson	Potential over-boarding; chair of several companies
		30	Appointment of Auditor	No tender for 26 years; excessive tenure

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

# Abstain Votes

Company	Date*		Resolution	Reason
Banco Bilbao Vizcaya Argentaria	14.03.19	5	Ratify Board Acts	Significant legal, regulatory and reputational issues
Swedbank AB	28.03.19	15	Ratify Board and CEO Acts	Significant legal, regulatory and reputational issues

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

## The following votes were registered in support of management

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Company	Country	Date	Resolutions	Action
Huaneng Power International Inc.	China	30.01.19	8	For All Resolutions
Siemens AG	Germany	30.01.19	39	For All Resolutions
Metro AG	Germany	15.02.19	7	For All Resolutions
Carl Zeiss Meditec AG	Germany	19.03.19	7	For All Resolutions
Kemira Oyj	Finland	21.03.19	9	For All Resolutions
Randstad NV	Netherlands	26.03.19	15	For All Resolutions
Vaisala Oyj	Finland	26.03.19	10	For All Resolutions

# US Shareholder Resolutions Supported

Company	Resolution	Date
Deere & Co.	Right to act by written consent; empowers shareholders to act between annual meetings	27.02.19

*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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We work with national and international partners to deliver proxy voting



[www.ivis.co.uk](http://www.ivis.co.uk)

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