

Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 December 2018

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

- We publish our UK and International Corporate Governance Voting Policies at 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 SRDII¹ we use IVIS² 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 9 and 18) are voted in line with Policy
- For more information on our approach to proxy voting please contact information@edentreeim.com

¹ SRDII – Shareholder Rights Directive II effective 2019; ² Institutional Voting Information Service

UK Corporate Governance Report

Quarter to 31 December 2018

PROFIT WITH PRINCIPLES

UK Key Events: Quarter to 31 December 2018

- **Standard Chartered** faces a \$1.5bn fine from the US Department of Justice over alleged breaches of Iran sanctions. The bank entered a 'deferred prosecution agreement' in 2012 resulting in a fine of \$667m, which has since been extended several times
- The **CMA** (Competition and Markets Authority) has said it is minded to launch a full scale investigation of the audit market following repeated criticisms of the 'Big Four' over falling standards of audit competency
- Following strong opposition by UK shareholders, **Unilever** announced it was abandoning attempts to seek a single listing in the Netherlands, maintaining its dual-listed structure that has been in place since 1930
- Controversial **Persimmon** Chief Executive, Jeff Fairburn, has been forced out of the company after the new Chairman called the ongoing row over his £100m share awards a 'distraction'. Fairburn had expressed reluctance to donate some of the excessive award to charity after the Government's Buy-to Let Scheme resulted in disproportionate awards for directors
- The **Investment Association (IA)** has updated its guidance on expectations around executive pay; these include aligning pension contributions with the wider workforce; stricter guidance on restricted shares issuance; strengthened *malus* provisions, and the conditions guiding which shares may count towards shareholding requirements

UK Proxy Voting: Quarter to 31 December 2018

	For	Oppose	Abstain	Total		
Resolutions	360	19	2	381	Equity	Fixed
%	94	5	1	100	38	-
Meetings				38		

Reason for Action	Oppose	Abstain
Remuneration Report	9	1
Board Balance (Directors)	4	0
Individual Incentive Schemes	3	0
Auditors	1	1
Other	2	0
Total	19	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
BHP Billiton	17.10.18	7	Approve Remuneration Report	Excessive in aggregate; over 500% salary awarded
		8	Approve Remuneration (Australia)	Excessive in aggregate; over 500% salary awarded
		9	Approve Share Awards CEO	Excessive in aggregate; single performance under LTIP
		14	Re-elect Ms C Hewson	Chair, Remuneration Committee; poor overall structure
SIG (EGM)	07.11.18	1	Approve Remuneration Report	Significant ratcheting of awards from 250% to 450%
		2	Approve Bonus Plan	Unjustified increase to bonus; no additional performance
		3	Approve LTIP	Unjustified increase to LTIP; no additional performance
Smiths Group	14.11.18	2	Approve Remuneration Policy	Poor visibility on value; unnecessarily complex; excess
		3	Approve Remuneration Report	Excessive in aggregate; bonus paid - underperformance
		8	Re-elect Mr W Seeger	Chair Remuneration Committee; poor overall structure
Genus	15.11.18	2	Approve Remuneration Report	Unjustified increase in base salary; excessive differential
Close Brothers	15.11.18	2	Approve Remuneration Report	Excessive in aggregate; over 600% salary paid
Inland Homes	27.11.18	5	Re-elect Mr T Royden	Non-independent NED; insufficient Board independence
		6	Re-elect Mr S Bennett	Non-independent NED; insufficient Board independence
Ferguson	29.11.18	2	Approve Remuneration Report	Excessive in aggregate; over 400% salary awarded
		3	Approve Remuneration Policy	Excessive; 500% salary; significant vesting at threshold
Bellway	12.12.18	10	Re-appoint Auditors	Auditor tenure excessive; no tender since 1979
GCM Resources	28.12.18	5	Issue Shares With Pre-emption	Breaches dilution guidelines
		6	Issue Shares W/o Pre-emption	Breaches dilution guidelines

Abstain Votes

Company	Date		Resolution	Reason
Springfield Properties	22.10.18	2	Approve Remuneration Report	Poor disclosure; insufficient information to take a view
Galliford Try	09.11.18	11	Re-appoint Auditors	No tender since 2001; high non-audit fees

The following votes were registered in support of management

Company	Date	Resolutions	Action
Cambian Group (EGM)	15.10.18	1	For Resolution
Cambian Group (CRT)	15.10.18	2	For All Resolutions
Frontier Developments	16.10.18	12	For All Resolutions
Syncona (EGM)	30.10.18	1	For Resolution
Dechra Pharmaceuticals	19.10.18	18	For All Resolutions
Schroder Japan Growth Fund	01.11.18	12	For All Resolutions
City of London Investment Trust	01.11.18	10	For All Resolutions
Pacific Horizon Investment Trust	06.11.18	11	For All Resolutions
Patisserie Holdings (EGM)	01.11.18	2	For All Resolutions
Jardine Lloyd Thompson (CRT)	07.11.18	1	For Resolution
Jardine Lloyd Thompson (EGM)	07.11.18	1	For Resolution
Kier Group	16.11.18	17	For All Resolutions
PRS REIT	28.11.18	14	For All Resolutions
Target Healthcare REIT	28.11.18	12	For All Resolutions
Phoenix Group (CRT)	28.11.18	1	For Resolution
Phoenix Group (EGM)	28.11.18	8	For All Resolutions
Dunelm Group	29.11.18	23	For All Resolutions
The Investment Company	29.11.18	13	For All Resolutions

All proxies voted in support of management are voted in line with our corporate governance policy

The following votes were registered in support of management

Company	Date	Resolutions	Action
Hotel Chocolat Group	29.11.18	16	For All Resolutions
Shire (CRT)	29.11.18	1	For Resolution
Shire (EGM)	29.11.18	1	For Resolution
DX Group	04.12.18	8	For All Resolutions
Bioventix	06.12.18	5	For All Resolutions
JP Morgan Japanese IT	13.12.18	13	For All Resolutions
Applied Graphene Materials	18.12.18	9	For All Resolutions
Xeros Technology (EGM)	19.12.18	3	For All Resolutions
Taylor Wimpey (EGM)	28.12.18	1	For Resolution

FTSE 100 Board Diversity*

Company	Rank	%	Comment
BHP Billiton	6	44%	Significantly exceeds Hampton-Alexander target of 33% women on Boards
Smiths Group	76	20%	No change on 2017; falls short of Davies 2015 diversity target
Ferguson	38	33%	Meets Hampton-Alexander target of 33% women on Boards

FTSE 250 Board Diversity Identified for Engagement*

Company	Rank	%	Comment
Dechra Pharmaceuticals	179	14%	No change on 2017; diversity significantly below 2015 Davies target
Galliford Try	311	14%	No change on 2017; diversity significantly below 2015 Davies target
Bellway	105	17%	Reduction from 22% in 2017; diversity below Davies target

International Corporate Governance Report

Quarter to 31 December 2018

PROFIT WITH PRINCIPLES

International Key Events: Quarter to 31 December 2018

- **Petrobras** has reached a settlement with US authorities which will see the company pay \$853m in fines. The settlement is in respect of multiple concurrent bribery charges arising from the 'car wash' scandal in 2014. Civil procedures are continuing in other jurisdictions
- Scandal-hit **Samsung Electronics** has seen newly appointed Chairman along with 31 other senior executives indicted for suppressing union activity in South Korea. The allegedly systematic scheme dates back to 2013 and included threats of wage cuts and continues a long tradition of Samsung preventing workers from unionising freely; out of more than 200,000 employees fewer than 300 are members of unions
- **Italy** and **Norway** have published amended Corporate Governance Codes, the former providing for a mandated one third of Board seats being reserved for the 'under-represented gender'. The Norway Code has made a direct recommendation that directors should not be awarded share options
- Japanese authorities have arrested **Nissan** Chairman, Carlos Ghosn, for financial misconduct and conspiring to under-report his income. Ghosn is also CEO of **Renault** and Chair of **Mitsubishi** and comes after months of investigation around 'numerous...acts of misconduct'
- **Wells Fargo** has resorted to an unusual defence as it faces continuing shareholder lawsuits arising from misconduct. The bank is invoking the legal concept of 'puffery' arguing claimants cannot hold the bank liable for untrue statements made by the Chief Executive as shareholders should have known these were untrue!

International Key Events: Quarter to 31 December 2018

- As part of testimony given by CBA (**Commonwealth Bank of Australia**) to the Australian Royal Banking Commission, Chair, Catherine Livingstone revealed the previous Chair had been asked to return 40% of his fee owing to the Bank's long list of financial scandals, revealing he had refused. At the same testimony, the Bank's CEO admitted to the mis-selling of insurance products to 60,000 customers
- The recent events engulfing **Nissan** and the arrest of former Chair Carlos Ghosn has thrown a spotlight on the continuing sclerotic nature of Japanese corporate governance. Specifically, the lack of constituted Audit and Remuneration Committees gave executives unfettered power to determine remuneration and appointing external auditors
- Global research examining 1,610 public companies in 44 countries has concluded executive **gender parity** will never be reached. It found a little over 20% of Board seats were held by women but more than 7 in 10 appointments were still going to men. In only 13 of the 44 countries did the largest companies average three or more female Board members, with France the highest at 42% and the lowest Japan, Hungary, Saudi Arabia and the UAE at less than 6%. Women on average now hold 12% of Board seats in Asia, 16.7% in South America and 35% in Europe, North America and Australasia

International Proxy Voting: Quarter to 31 December 2018

	For	Oppose	Abstain	Total	Meeting Region	No.
Resolutions	92	16	0	108	Europe ¹	5
%	85	15	0	100	USA/Canada	3
Meetings				15	HK/Singapore	3
Markets Voted				9	Japan	0
Shareblocking				-	Asia – Other ²	2
					Australia/NZ	2
					Emerging ³	0
					Total	15

Reason for Action	Oppose	Abstain
Executive Compensation	5	0
Board Balance (Directors)	7	0
Shareholder Capital Issues	-	0
Other	4	0
Total	16	0

- 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
Telstra Corporation	16.10.18	5	Remuneration Report	Total combined opportunity is excessive; exceeds 300%
Aryzta AG	01.11.18	7	Elect Mr D Flinter	Chair Nomination Committee; insufficient Board diversity
Bingo Industries Limited	14.11.18	7	Approve Increase in NED Fees	Increase is excessive given current headroom
Microsoft Corporation Inc.	28.11.18	6	Elect Mr C Noski	Chair Audit Committee – non independent NED
		15	Executive Compensation	Remuneration is grossly excessive; poor performance
		16	Ratify Auditors	Excessive audit tenure; no tender for 35 years
Cisco Systems Inc.	12.12.18	1	Elect Ms M Burns	Non-independent NED; insufficient Board independence
		5	Elect Mr R McGeary	Non-independent NED; insufficient Board independence
		9	Elect Mr S West	Non-independent NED; insufficient Board independence
		11	Executive Compensation	Poor alignment with performance; excessive
		12	Ratify Auditors	Excessive audit tenure; no tender for 30 years
		14	Shareholder Resolution	Proposal not viewed as in shareholder interests
Medtronic plc	07.12.18	3	Elect Mr S Donnelly	Chair Nomination Committee; insufficient Board diversity
		10	Elect Mr K Powell	Connected director on Compensation Committee
		11	Ratify Auditors	Excessive audit tenure; no tender for 55 years
		12	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

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Applegreen	Ireland	24.10.18	2	For All Resolutions
China Petroleum & Chemical Corp.	China	23.10.18	2	For All Resolutions
Philips NV	Netherlands	19.10.18	2	For All Resolutions
Vietnam Holding Ltd.	Cayman Islands	31.10.18	3	For All Resolutions
Vietnam Holding Ltd.	Cayman Islands	31.10.18	8	For All Resolutions
Akzo Nobel NV	Netherlands	13.11.18	1	For Resolution
Indus Holding AG	Germany	29.11.18	8	For All Resolutions
Kowloon Development Co. Ltd.	Hong Kong	21.11.18	3	For All Resolutions
Dah Chong Hong Holdings Ltd.	Hong Kong	14.12.18	2	For All Resolutions

All proxies voted in support of management are voted in line with our corporate governance policy

US Shareholder Resolutions Supported

Company	Resolution	Date
Cisco Systems Inc.	Separate the role of Chair and CEO – strong governance proposal	12.12.18

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 2018

UK Proxy Voting: Year to 31 December 2018

	For	Oppose	Abstain	Total	Equity	Fixed
Resolutions	3,157	204	25	3,386		
%	93	6	1	100	241	7
Meetings				248		

Reason for Action	Oppose	Abstain	%
Remuneration Report	93	10	45
Board Balance (Directors)	58	4	27
Individual Incentive Schemes	13	1	6
Auditors	29	8	16
Other	11	2	6
Total	204	25	100

International Proxy Voting: Year to 31 December 2018

	For	Oppose	Abstain	Total
Resolutions	1,372	259	9	1,640
%	84	15	1	100
Meetings				173
Markets Voted				25
Shareblocking				2

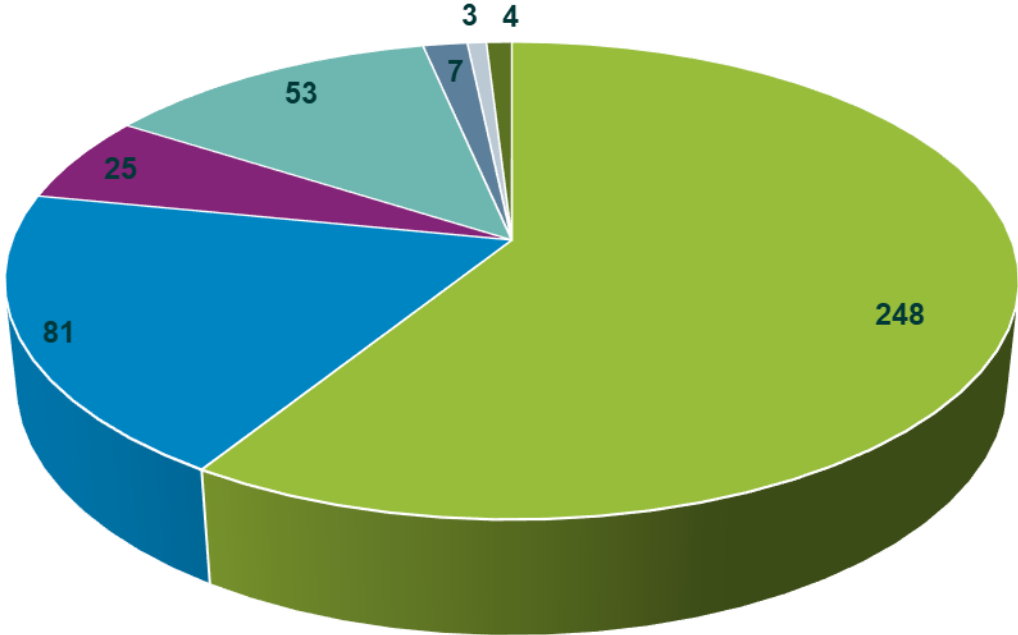
Reason for Action	Oppose	Abstain
Executive Compensation	53	0
Board Balance (Directors)	101	4
Shareholder Capital Issues	47	0
Other	58	5
Total	259	9

Meeting Region	No.
Europe ¹	81
USA/Canada	25
HK/Singapore	42
Japan	7
Asia – Other ²	11
Australia/NZ	3
Emerging ³	4
Total	173

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

The Year in Charts

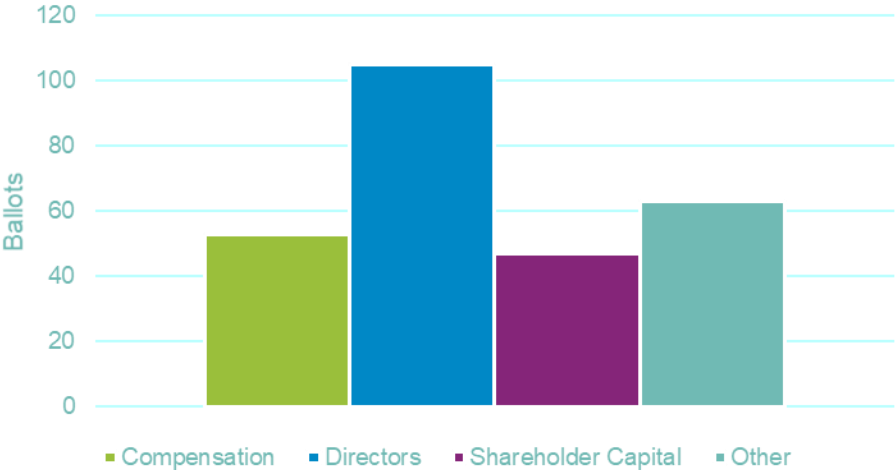
Meeting Domicile 2018



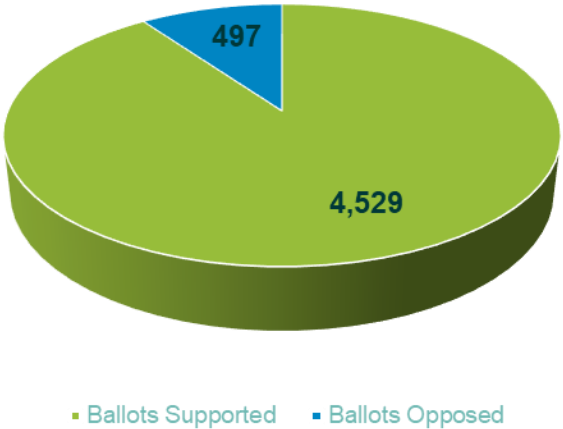
■ UK ■ Europe ■ North America ■ Asia ■ Japan ■ Australia ■ Emerging

The Year in Charts

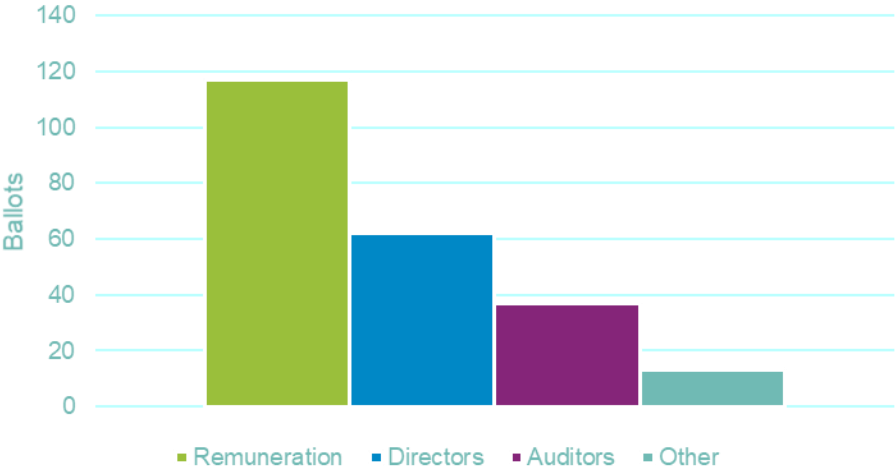
International Voting Action 2018



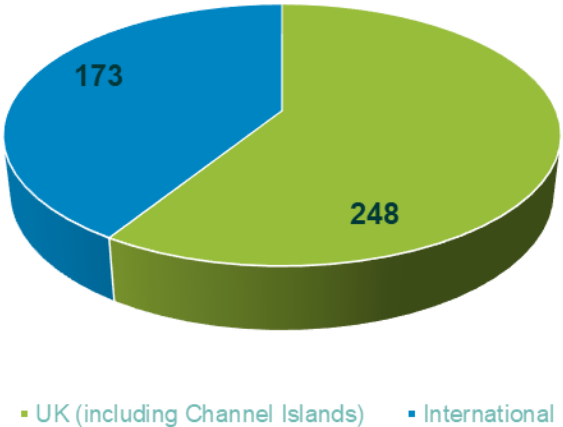
UK & International Ballots Voted



UK Voting Action 2018

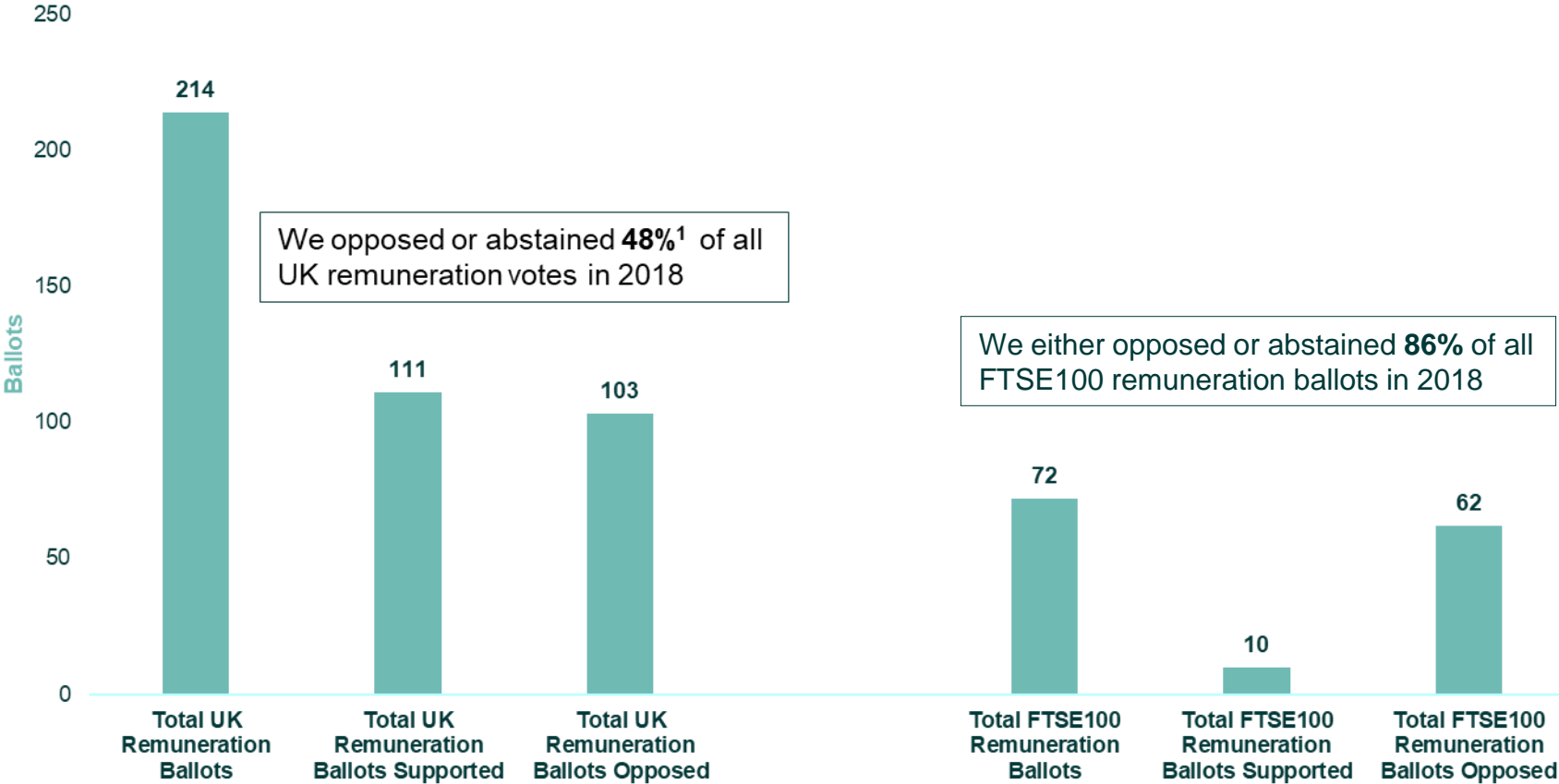


Meeting Domicile



The Year in Charts

UK Remuneration Analysis 2018



¹ Includes individual incentive scheme ballots

Our Partners

We work with national and international partners to deliver proxy voting



www.ivis.co.uk

www.glasslewis.com

www.proxyinsight.com



edentree
investment management

Eden Tree
24 Monument Street
London
EC3R 8AJ

T 0800 011 3821

 @edentree

edentreeim.com

© Eden Tree Investment Management 2019

