

# Global Corporate Governance Report

Proxy Voting Report: Quarter to 30 September 2018

PROFIT WITH PRINCIPLES

**16** PEACE, JUSTICE  
AND STRONG  
INSTITUTIONS



# Corporate Governance: Sustainable Development Goal 16

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## 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 positive 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*
- All proxies voted in support of management (pages 9 and 18) are therefore voted in line with Policy
- For more information on our approach to proxy voting please contact [information@edentreeim.com](mailto:information@edentreeim.com)

# UK Corporate Governance Report

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Quarter to 30 September 2018

PROFIT WITH PRINCIPLES

## UK Key Events: Quarter to 30 September 2018

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- As the FRC continues to crack down on sub-standard auditing, it has announced an investigation into Deloitte's audit of **SIG** plc. The company had admitted to inflated profit numbers amounting to £2.5m for the first half of 2017. The mis-reporting was not picked up by the auditor. At the AGM, Deloitte was opposed by 78% of shareholder votes and was dismissed by the company
- The bitter governance dispute at logistics giant **Stobart** continues to rock the company in which the former CEO attempted to oust the incumbent chairman. Following the AGM, the former CEO, Andrew Tinkler was again ousted by the Board despite being re-elected as a director by 51.4% of proxies cast
- 34% of shareholders opposed remuneration at **BT Group** following the payment of a controversial bonus to outgoing CEO, Gavin Patterson, who also received a personal oppose vote of 3.5%
- The Financial Reporting Council (FRC) has published its proposed changes to the **UK Corporate Governance Code** to a mixed reception. Whilst some proposals have been welcomed, on balance critics have stressed the reform as a 'missed opportunity'
- The Investment Association notes that revolts over **executive pay** have doubled in 2018 with 18 votes among FTSE100 companies incurring over 20% opposition. The IA, which maintains a public register of opposition also notes action taken against individual directors is increasing
- The Chairman of the **FCA** has given a sharp rebuke to the 'Big Four' accountancy firms for the quality of their auditing, and has called on the industry to address audit quality as 'a matter of urgency'

## UK Key Events: Quarter to 30 September 2018

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- **Entertainment One**, the UK listed Canadian domiciled media company saw a significant shareholder revolt against pay as 39% registered opposition. Investor ire was triggered by a no-strings bonus for the CEO in which this 'special award' was not subject to performance. The Chair of the Remuneration Committee also saw a personal vote against his re-election of 36%
- Digital online retailer **Boohoo** has promised to pay its new CEO £50m in share awards on top of salary and bonus if he can increase the share price by 180% over five years. The scheme will have no other performance criteria; annual bonus and salary can reach £1.5m

## UK Proxy Voting: Quarter to 30 September 2018

	For	Oppose	Abstain	Total		
Resolutions	679	30	15	724	Equity	Fixed
%	94	4	2	100	56	1
Meetings				57		

Reason for Action	Oppose	Abstain
Remuneration Report	14	5
Board Balance (Directors)	7	2
Individual Incentive Schemes	2	1
Auditors	5	6
Other	2	1

*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
British Land Company	17.07.18	2	Approve Remuneration Report	Significant vesting at median; tiered towards short-term
Severn Trent	18.07.18	14	Re-appoint Auditors	Tender in 2015 re-instated incumbent auditor
Experian	18.07.18	2	Approve Remuneration Report	Three schemes with duplicate performance hurdles
		10	Re-elect Mr M Rogers	Chair, Remuneration Committee; poor shareholder value
Babcock International	19.07.18	15	Re-appoint Auditors	No tender since 2002; no tender expected before 2022
Royal Mail Group	19.07.18	2	Approve Remuneration Report	Significant vesting at median; tiered towards short-term
Nationwide Building Society	19.07.18	2	Approve Remuneration Report	Base salary and benefits excessive
Homeserve	20.07.18	2	Approve Remuneration Report	Matching plan; directors paid twice for same performance
		10	Re-elect Ms S David	Chair Remuneration Committee; double dipping
		15	Re-appoint Auditors	No tender since 2002; no tender proposed before 2024
		21	Renew LTIP	LTIP provides for matching plan and double dipping
Trifast	26.07.18	8	Re-appoint Auditors	No tender for over 20 years; no tender until 2020
Johnson Matthey	26.07.18	2	Approve Remuneration Report	Soft performance hurdles; significant vesting at threshold
Tate & Lyle	26.07.18	2	Approve Remuneration Report	Over 400% salary awarded; excessive in aggregate
National Grid Group	30.07.18	15	Approve Remuneration Report	Over 450% awarded; significant vesting at threshold
		16	Approve Political Expenditure	Mandate sought of £125,000; breaches EIM threshold
Vodafone Group	27.07.18	9	Re-elect Ms V Gooding	Chair Remuneration Committee; excessive in aggregate
		15	Approve Remuneration Report	Over 700% salary awarded; excessive in aggregate
John Menzies	22.08.18	2	Approve Remuneration Policy	New Policy is excessive and poorly structured



# Oppose Votes

Company	Date		Resolution	Reason
John Menzies	22.08.18	3	Approve Value Creation Plan	New Policy is excessive and poorly structured
DS Smith	04.09.18	3	Approve Remuneration Report	Excessive variable pay; over 400% salary awarded
Dixons Carphone	06.09.18	2	Approve Remuneration Report	Excessive vesting of LTIP for resigning CEO
		12	Re-appoint Auditors	Excessive tenure; no tender proposed until 2023
Greene King	07.09.18	8	Re-elect Mr P Yea	Chair, Nomination Committee; no progress on diversity
Ashtead Group	11.09.18	2	Approve Remuneration Report	Over 400% awarded; excessive in aggregate
Anglesey Mining	20.09.18	6	Re-elect Mr D lean	Non-independent non-executive; nil Board independence
		7	Re-elect Mr B Miller	Non-independent non-executive; nil Board independence
		12	Issue Shares w/o Pre-emption	Excessive dilution without explanation; guidance breach
Diageo	20.09.18	2	Approve Remuneration Report	Unchallenging performance hurdles; 100% at median
		5	Re-elect Lord Davies of Abersoch	Chairman, Remuneration Committee; over 500% salary

# Abstain Votes

Company	Date		Resolution	Reason
HICL Infrastructure Company	17.07.18	10	Re-appoint Auditors	No tender for 12 years; no tender proposed
		15	Increase NED Fees	Increase in NED fees appears unnecessary & excessive
Severn Trent	18.07.18	2	Approve Remuneration policy	Increase to LTIP scheme maxima unjustified
		4	Amend LTIP	Increase to LTIP scheme maxima unjustified
SSE	19.07.18	2	Approve Remuneration Report	Bonus pay-out unjustified given performance
		13	Re-appoint Auditors	No tender since 1999; tender announced for 2020
JP Morgan Japan Sm. Companies	31.07.18	6	Re-elect Mr R White	Chair designate has already served 10 years on Board
DS Smith	04.09.18	11	Re-appoint Auditors	Incumbent auditor re-appointed after 10 years in post
Greene King	07.09.18	2	Approve Remuneration Report	Significant and unjustified salary increase to new CFO
		11	Re-appoint Auditors	Excessive tenure; tender proposed in next three years
Ashtead Group	11.09.18	11	Re-appoint Auditors	Excessive tenure; no tender proposed until 2023
Schroder Real Estate IT	07.09.18	7	Re-appoint Auditors	Excessive tenure; tender proposed in next four years
Picton Property Income Limited	13.09.18	8	Approve Remuneration Policy	Poor disclosure; executive salaries not disclosed
Eco Animal Health Group	13.09.18	2	Re-elect Directors	Bundled resolution; poor governance disclosure
Anglesey Mining	20.09.18	3	Approve Remuneration Policy	Policy provides for stock option awards to non-executives

## The following votes were registered in support of management

Company	Date	Resolutions	Action
Montanaro UK Smaller Companies IT	18.07.18	14	For All Resolutions
Scapa Group	17.07.18	17	For All Resolutions
Brown (N) Group	17.07.18	16	For All Resolutions
RPC Group	18.07.18	18	For All Resolutions
SSE (EGM)	19.07.18	2	For All Resolutions
Halma	19.07.18	21	For All Resolutions
ULS Technology	25.07.18	8	For All Resolutions
Diversified Oil & Gas (EGM)	16.07.18	3	For All Resolutions
Picton Property Income Limited (EGM)	23.07.18	2	For All Resolutions
Weiss Korea Opportunity Fund Limited	26.07.18	8	For All Resolutions
Fidelity China Special Situations IT	26.07.18	13	For All Resolutions
Bonmarché Holdings	26.07.18	18	For All Resolutions
United Utilities	27.07.18	21	For All Resolutions
Pacific Horizon IT (EGM)	30.07.18	2	For All Resolutions
Volex	31.07.18	9	For All Resolutions
Syncona Limited	31.07.18	15	For All Resolutions
Future (EGM)	03.08.18	1	For Resolution
John Laing Environmental Assets Group Ltd.	15.08.18	10	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
Rightmove (EGM)	22.08.18	1	For Resolution
Marlowe	05.09.18	7	For All Resolutions
Berkeley Group	05.09.18	27	For All Resolutions
Oxford Instruments	11.09.18	16	For All Resolutions
3i Infrastructure (EGM)	17.09.18	1	For Resolution
Atlantis Japan Growth Fund IT	14.09.18	11	For All Resolutions
John Laing Infrastructure Fund Ltd. (EGM)	24.09.18	1	For Resolution
John Laing Infrastructure Fund Ltd. (EGM)	24.09.18	1	For Resolution
NCC Group	26.09.18	18	For All Resolutions
Park Group	25.09.18	9	For All Resolutions
Elementis (EGM)	03.10.18	1	For Resolution
esure (CRT)	03.10.18	1	For Resolution
esure (EGM)	03.10.18	2	For All Resolutions

## FTSE 100 Board Diversity\*

Company	Rank	%	Comment
British Land Company	68	25%	Meets 2015 Davies diversity target; no progress on meeting 2020 target
Severn Trent	99	38%	Comfortably exceeds Hampton-Alexander target of 33% by 2020
SSE	40	22%	Board churn has seen diversity fall since 2017; meets Davies 2015 target
Experian	36	25%	Meets 2015 Davies diversity target; no progress on meeting 2020 target
Royal Mail Group	100	33%	Meets 2020 Hampton-Alexander target; diversity reduction from 50% 2017
Halma	98	40%	Comfortably exceeds Hampton-Alexander target of 33% by 2020
Johnson Matthey	77	33%	Meets 2020 Hampton-Alexander target
United Utilities	95	30%	Close to meeting Hampton-Alexander target of 33% by 2020
National Grid Group	23	40%	Comfortably exceeds Hampton-Alexander target of 33% by 2020
Vodafone Group	11	41%	Comfortably exceeds Hampton-Alexander target of 33% by 2020
Berkeley Group	87	25%	Meets 2015 Davies diversity target; no progress on meeting 2020 target
DS Smith	91	28%	Meets 2015 Davies diversity target; slight reduction on 2017 of 33%
Ashtead Group	44	28%	Meets 2015 Davies diversity target; slight reduction on 2017 of 33%
Diageo	10	38%	Comfortably exceeds Hampton-Alexander target of 33% by 2020

## FTSE 250 Board Diversity Identified for Engagement\*

Company	Rank	%	Comment
Syncona Limited	242	14%	Single female Board member; significantly below Davies diversity target
Greene King	207	14%	Single female Board member; significantly below Davies diversity target

# International Corporate Governance Report

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Quarter to 30 September 2018

PROFIT WITH PRINCIPLES

## International Key Events: Quarter to 30 September 2018

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- A group of Dutch pension Funds have released the first **Dutch Stewardship Code** and includes some distinctive points of differentiation from its peers. The Code recommends recalling lent stock so that it can be voted, and explicitly mentions ESG (environmental, social and governance) issues as relevant for monitoring companies. The Code also positively recommends divestment in cases where portfolio companies fail to engage
- **Danske Bank** continues to suffer reputational damage from allegations that between 2007-2015 the Estonian branch facilitated the laundering of \$8.3bn originating in Russia and the CIS. Subsequent reporting suggests the total may now be nearer \$150bn. Management at the bank have resigned, and the bank may face penalties of up to \$4.7bn
- Average support for management proposals at US companies in 2018 remained 94.7% but this masks significant growing opposition to **'say-on-pay'** votes in which 67 failed to win a majority and 364 votes with over 20% opposition
- It is notoriously difficult under **Australian company law** for shareholders to table resolutions, as they first have to change corporate by-laws. However a recent survey of investors showed strong support to allow shareholders to propose resolutions that require a 75% super-majority to succeed
- After recovering from the financial crisis and a bail out by the Dutch Government **ING Groep** is once again mired in controversy after it reached a €775m settlement with Dutch regulators to end a money laundering investigation. The company has seen two Chief Information Officers and the Finance Director leave in short succession



## International Proxy Voting: Quarter to 30 September 2018

	For	Oppose	Abstain	Total
Resolutions	100	25	-	125
%	80	20	-	100
Meetings				18
Markets Voted				8
Shareblocking				-

Meeting Region	No.
Europe <sup>1</sup>	2
USA/Canada	2
HK/Singapore	11
Japan	1
Asia – Other <sup>2</sup>	-
Australia/NZ	-
Emerging <sup>3</sup>	2
<b>Total</b>	<b>18</b>

Reason for Action	Oppose	Abstain
Executive Compensation	5	-
Board Balance (Directors)	12	-
Shareholder Capital Issues	7	-
Other	1	-

- 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
Boustead Projects Limited	26.07.18	3	Elect Mr W Wei	Connected director; insufficient Board independence
		4	Elect Mr J Teng	Connected director; insufficient Board independence
Boustead Singapore Limited	26.07.18	9	Issue Shares; Share Plan	Non-executive participation in variable pay; short-term
Electronic Arts	02.08.18	1	Elect Mr J Hoag	Non independent NED; insufficient Board independence
		6	Elect Mr R Simonson	Non independent NED; insufficient Board independence
		7	Elect Mr L Ubinas	Chair Nomination Committee; insufficient independence
		10	Executive Compensation	Substantial retention awards; excessive in aggregate
		11	Ratify Auditors	Excessive auditor tenure
Fujikon Industrial Holdings Ltd.	09.08.18	5	Elect Mr L Pun	Audit Committee met infrequently; governance concerns
		8	Issue Shares w/o Pre-emption	Issue price discount not disclosed; potential dilution
		10	Issue Repurchased Shares	Issue price discount not disclosed; potential dilution
Noble Group Limited	27.08.18	9	Issue Shares w/o Pre-emption	Issue price discount not disclosed; potential dilution
		12	Share Option Scheme	Short vesting period; change of control provision
		13	Performance Share Plan	Non-executive participation in share awards
		14	Restricted Group Share Plan	Grants are excessive; change of control provision
Luk Fook Holdings International Ltd.	15.08.18	8	Elect Mr S Chung	Time concerns; serves on too many Boards
		9	Elect Mr S Kwan	Non-executives paid salaries; poor governance
		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
Texwinca Holdings Ltd.	09.08.18	5	Elect Mr P Chak	Executive Chair; third part transaction; conflict of interest

\* 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.	09.08.18	6	Elect Mr T Chung	Connected director on Compensation Committee
		9	Elect Mr C Wing	Chair Nomination Committee; insufficient Board diversity
		14	Issue Shares w/o Pre-emption	Issue price discount not disclosed; potential dilution
		15	Issuance of Treasury Shares	Issue price discount not disclosed; potential dilution
TechnoPro Holdings Inc.	27.09.18	4	Elect Mr Y Nishio	Chair Nomination Committee; insufficient Board diversity

## The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Boustead Projects Limited (EGM)	Singapore	26.07.18	2	For All Resolutions
Boustead Singapore Limited	Singapore	26.07.18	1	For Resolution
Mapletree Logistics Trust	Singapore	16.07.18	3	For All Resolutions
Quality Care Properties Inc.	USA	25.07.18	3	For All Resolutions
Vietnam Holding Ltd.	Cayman Islands	09.07.18	1	For Resolution
Greencoat Renewables	Ireland	01.08.18	2	For All Resolutions
Amiad Water Systems Limited	Israel	13.09.18	13	For All Resolutions
Noble Group Limited	Hong Kong	27.08.18	1	For Resolution
Noble Group Limited	Hong Kong	27.08.18	2	For All Resolutions
Covivio	France	06.09.18	7	For All Resolutions

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

# Our Partners

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We work with national and international partners to deliver proxy voting



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edentree  
investment management

EdenTree  
24 Monument Street  
London  
EC3R 8AJ

T +44 (0)800 011 3821  
@EdenTreeIM

[edentreeim.com](http://edentreeim.com)

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