

EdenTree Investment Management Ltd. Global Corporate Governance Report



Proxy Voting Report: Quarter to 31 March 2015



PROFIT WITH PRINCIPLES

UK Corporate Governance Report

Quarter to 31st March 2015

PROFIT WITH PRINCIPLES



UK Key Events: Quarter to 31st March 2015

- The number of long-serving non-executives on UK Boards is in sharp decline. Those in post for more than nine years at FTSE100 Groups has fallen by 25%, with just 73 directors serving for more than nine years. One exception is Reckitt Benckiser with four non-executives serving more than a decade
- Executive pay is still determined by 'simplistic measures of performance that bear little relation to long-term drivers of value' according to new research. A study of pay at 30 FTSE100 Groups found no correlation between key performance indicators reported to shareholders and incentives used to reward senior staff. At all levels the study found low correlation with company performance and pay, particularly given the prevalence of EPS as a 'generic' performance measure
- Troubled construction company Balfour Beatty has granted a 'golden hello' worth £10.5m to its new Chief Executive, to be paid in three tranches over the next three years; only the final tranche will be subject to performance
- Troubled insurance claims processor Quindell has incurred shareholder ire as it awards non-executive Chairman, Richard Rose £8.7m in share options directly contravening the Corporate Governance Code
- The Financial Reporting Council (FRC) notes that compliance with the UK Corporate Governance Code has improved with 61.2% of FTSE350 companies in full compliance and 93.5% compliant in all but one or two provisions; 85% of FTSE100 companies also report a clear policy on diversity

-
- **Non-executive fees** continue to rise faster than wages as new research shows fees rising 7% in 2014 to reach an average of £65,000, with FTSE100 chairs now earning on average £373,000; the chairs of the Audit Committee received the largest increases, earning an extra £23,000 on average on top of their basic NED fee
 - **UK Boards are the most internationally diverse.** According to new research shows 36 of the FTSE100 CEOs are overseas nationals, and non-UK nationals account for 36% of all directors in the Index. By comparison just 8% of top 200 S&P500 directors were overseas nationals and 45% of directors are made up entirely of US citizens. France, Germany, Spain and Italy also have low levels of overseas experience at director level
 - In an unprecedented move the Board's of **BP** and **Shell** have said they will recommend shareholder support for two climate change resolutions to be put to their 2015 AGMs. The resolutions call for more disclosure on business resilience to future carbon risk
 - The commencement of the 2015 proxy season has begun with familiar reports of excessive pay, with **Barclays, BP, Standard Life** and **Lloyds Banking Group** all coming under fire from commentators. The CEO of Barclays justified taking a bonus of £1.1m in spite of the bank reporting poor results and an accounting loss for 2014, whilst **Shell** appears to be heading for a shareholder revolt over the near £20m paid to its CEO that included €7.9m 'tax equalisation' and a €10.7m pension contribution

UK Proxy Voting: Quarter to 31st March 2015

	For	Oppose	Abstain	Total		
Resolutions	420	16	3	439	Equity	Fixed
%	96	3.5	0.5	100	37	2
Meetings				39		

Reason for Action	Oppose	Abstain
Remuneration Report	11	2
Board Balance (Directors)	3	-
Individual Incentive Schemes	2	1
Other	-	-

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	21.01.15	2	Approve Remuneration Report	Poor link to performance; excessive; duplicate hurdles
		3	Approve Remuneration Policy	Over 500% salary available; excessive in aggregate
Britvic	27.01.15	3	Approve Remuneration Policy	Poor performance link; excessive in aggregate
		4	Approve Remuneration Report	Over 500% salary paid; excessive in aggregate
		11	Re-elect Mr B Ivell	Chair Remuneration Committee; Board has overpaid
		18	Approve 2015 ESOP	Single performance metric controlling 300% salary
Compass Group	05.02.15	2	Approve Remuneration Policy	Significant ratcheting of aggregate awards
		18	Amend LTIP	Scheme maxima increase; no additional performance
Sage Group	03.03.15	13	Approve Remuneration Report	Ratcheting of remuneration; poor performance link
Smith & Nephew	09.04.15	2	Approve Remuneration Report	Poor link to performance; excessive benefits paid
		11	Re-elect Mr B Larcombe	Non-independent NED; elevated to Senior NED
Hunting	15.04.15	2	Approve Remuneration Report	Poor disclosure; excessive committee discretion
		7	Re-elect Mr J Hofmeister	Chair Remuneration Committee; performance link
Rio Tinto	16.04.15	2	Approve Remuneration Policy	Excessive in aggregate; poor performance link
		3	Approve Remuneration Report	Over 500% salary paid; excessive in aggregate
		4	Remuneration (Australia)	Over 500% salary paid; excessive in aggregate

* Date refers to the date of company meeting; all proxies were voted within the calendar quarter. UK includes Jersey (JE) Guernsey (GG) and Isle of Man (IOM)

Abstain Votes

Company	Date		Resolution	Reason
Britvic	27.01.15	17	Approve 2015 PSP	Unjustified increase in scheme maxima; excessive
Aberdeen Asset Management	03.02.15	18	Approve Remuneration Report	Uncapped bonus; potential excess; over 500% salary
Paragon Group of Companies	12.02.15	2	Approve Remuneration Report	Significant vesting at median; poor performance link

FTSE100 Board Diversity*

Company	Rank	%	Comment
Aberdeen Asset Management	70	23%	Modest fall on 2014; close to meeting Davies diversity criteria
Compass Group	28	20%	Improvement on 2014; close to meeting Davies requirements
Sage Group	73	25%	Has fully met or exceeded Davies diversity criteria since 2012
Smith & Nephew	43	30%	Exceeds Davies diversity criteria ; has met criteria since 2013
Rio Tinto	11	25%	Meets Davies diversity criteria – significant progress since 2012

** Data correct at time of voting*

The following votes were registered in support of management

Company	Date	Resolutions	Action
Green King (EGM)	13.01.15	2	For All Resolutions
Fenner	14.01.15	17	For All Resolutions
Assura Group (CRT)	14.01.15	1	For Resolution
Assura Group (EGM)	14.01.15	2	For All Resolutions
Diploma	21.01.15	17	For All Resolutions
Marstons	27.01.15	18	For All Resolutions
Mitchells & Butlers	29.01.15	17	For All Resolutions
Redefine International	29.01.15	22	For All Resolutions
Avon Rubber	29.01.15	11	For All Resolutions
Caledonian Trust	30.01.15	3	For All Resolutions
Connect Group	04.02.15	18	For All Resolutions
Grainger	04.02.15	18	For All Resolutions
Urban & Civic	11.02.15	21	For All Resolutions
Patisserie Holdings	05.02.15	10	For All Resolutions
Middlefield Canadian Income (EGM)	18.02.15	1	For Resolution
Melrose Industries (EGM)	20.02.15	1	For Resolution
Wandisco (EGM)	17.02.15	1	For Resolution
Dunelm (EGM)	02.03.15	1	For Resolution
Wm. Morrison Supermarkets	06.03.15	1	For Resolution

The following votes were registered in support of management

Company	Date	Resolutions	Action
Gooch & Housego	26.02.15	14	For All Resolutions
Target Healthcare REIT Ltd. (EGM)	27.02.15	1	For Resolution
Standard Life (EGM)	13.03.15	1	For Resolution
Aviva (EGM)	26.03.15	2	For All Resolutions
Crest Nicholson	19.03.15	14	For All Resolutions
<i>Nottingham Building Society</i>	24.03.15	10	For All Resolutions
<i>Leeds Building Society</i>	25.03.15	15	For All Resolutions
600 Group (EGM)	18.03.15	2	For All Resolutions
Friends Life Group Limited (CRT)	26.03.15	1	For Resolution
Friends Life Group Limited (EGM)	26.03.15	1	For Resolution
Jupiter Fund Management	15.04.15	19	For All Resolutions

International Corporate Governance Report

GLASS
LEWIS & Co.

Quarter to 31st March 2015

PROFIT WITH PRINCIPLES



International Key Events: Quarter to 31st March 2015

- A study of **executive pay** policy at more than 500 listed companies in the EU found that Germany has overtaken the UK in having the highest levels of remuneration with a median of €3.4m, marginally more than the UK. The study also found significant differences in pay practice; 67% of pay in Germany is variable, whilst more than two thirds in France and Belgium is fixed
- **Price fixing fines** reached a record high in 2014 with over \$5bn being levied, mostly in Europe. France and Germany imposed their highest fines of over \$2bn against various cartels. In the US fines imposed for cartels in the auto parts sector reached \$861m, 15% lower than in the previous year
- Despite opposition, **Japan's** reformist government is pushing ahead with a new **Corporate Governance Code** to be implemented by June 2015 so that provisions on independent directors and cross share-holdings will be in force in time for the main voting season in June. In a further development, Japan's **Stewardship Code** has now been adopted by 175 organisations
- Auditors remain under scrutiny by the EU with reports that a cap is to be applied on the level of **non-audit fees** that can be paid to the statutory auditor of 70%. The EU is also likely to mandate **auditor rotation** at least every ten years
- Leading investors in **Oracle** are to submit a letter to the SEC outlining corporate governance concerns. The investors allege poor communication, poor boardroom accountability and failure to respond to remuneration defeats based on excessive pay three years in succession

International Key Events: Quarter to 31st March 2015

- The right of shareholders to nominate directors is a hot topic in the US, as shareholder led 'proxy access' resolutions gain momentum. At **Monsanto** a proposal to allow shareholders to nominate directors was opposed by the Board but gained 53.5% support; however the result is non-binding. A resolution to appoint an independent Chair also attracted strong support (19.25%)
- The SEC may enact a rule requiring companies to disclose **pay ratios between CEO pay and the median paid to staff**. Provided for in Dodd-Frank, the reform is strongly opposed by corporate America, with only one Fortune 100 company, Noble Energy, reporting voluntarily
- Among the world's 20 leading economies **Japan** has the worst Board diversity with only 3% of Board positions taken by women. This compares with Norway at 36%, USA (19%), UK (23%) and Australia (19%)
- New **German governance** rules are beginning to reveal pay at leading German companies. The CEO of **Daimler** received €14.4m in 2014 after a 2010 long-term incentive plan paid out €7.5m. Under reformed rules German companies are obliged to set caps on remuneration
- The Dutch Government has introduced some of the severest rules in Europe to contain **executive pay in the financial sector**. Variable pay will be limited to 20% of fixed pay and severance limited to one year fixed pay and no variable pay will be allowed where the State has a stake

International Proxy Voting: Quarter to 31st March 2015

	For	Oppose	Abstain	Total	Meetings by Region	No.
Resolutions	231	33	8	272	Europe (EU) ¹	12
%	85	12	3	100	Europe - Other	
Meetings				26	USA/Canada	6
Shareblocking				-	HK/Singapore	2
					Japan	3
					Asia – Other	2
					Australia/NZ	
					Emerging ²	1
					Total	26

Reason for Action	Oppose	Abstain
Executive Compensation	11	2
Board Balance (Directors)	14	2
Shareholder Capital Issues	1	-
Other	7	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. At companies where shareblocking is exercised, such as in Switzerland and Norway, EIM's policy is to take no action rather than waive our shareholder rights

Oppose Votes

Company	Date*		Resolution	Reason
KPN NV	09.01.15	3	Sign On Payment for CEO	Excessive sign on bonus; no performance link
Monsanto Co.	30.01.15	11	Advisory Vote on Compensation	Compensation is excessive; poor performance link
		12	Shareholder Proposal	Lobbying; not viewed as in shareholder interests
Siemens AG	27.01.15	10	Amend Compensation Policy	Poor performance link; no deferral; single metric
Metro AG	20.02.15	13	Issue Convertible Debt	Potential dilution exceeds recommended threshold
Novartis AG	27.02.15	7	Board Compensation	Excessive in aggregate; excessive fee paid to Chair
		18	Elect Mr E Vanni	Chair, Compensation Committee; excessive
		23	Elect Compensation Chair Vanni	Chair, Compensation Committee; excessive
Agilent Technologies Inc.	18.03.15	2	Elect Mr K B Hwee	Non independent Chair Remuneration Committee
		7	Executive Compensation	Pay and performance disconnect; excessive
Baker Hughes Inc.	27.03.15	3	Executive Compensation	Pay and performance disconnect; excessive
Banco Santander SA	27.03.15	10	Elect Mr J-M Mir	Less than 75% attendance
Bank of Montreal	31.03.15	7	Elect Mr H Farmer	Non independent Committee chair
		10	Elect Mr P Orsino	Non independent Committee chair
		15	Executive Compensation	Pay and performance disconnect; excessive
		16	Shareholder proposal	Use of pay ratios; not in shareholder interests
		18	Shareholder Proposal	Credit card use; not in shareholder interests
Canon Inc.	18.03.15	4	Elect Mr F Mitarai	Board insufficiently independent

* Date refers to the 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
Canon Inc.	18.03.15	23	Bonus	Poor disclosure; no information provided
Gettlinge AB	25.03.15	19	Remuneration Guidelines	Poor overall design; poor performance link
ISB Corporation	27.03.15	2	Elect Mr I Wakao	Board insufficiently independent; Board too small
		4	Director Retirement Allowances	No performance link; poor value to shareholders
Keysight Technologies Inc.	19.03.15	2	Elect Mr C Dockendorff	Company has incorporated anti-takeover devices
Public Bank Bhd	30.03.15	4	Elect Mr T Hong	Insufficient Audit Committee independence
		6	Elect Mr L Lam	Insufficient Audit Committee independence
Samsung Electronics	13.03.15	1	Accounts/Allocation of Profit	Unaudited financial statements and accounts
		2	Elect Mr K Joong	No Nomination Committee; poor independence
		4	Elect Mr K Hyun	Board insufficiently independent
Toronto Dominion Bank	26.03.15	5	Elect Mr K Joong (Audit)	No Nomination Committee; poor independence
		19	Executive Compensation	Compensation excessive in aggregate; performance
		20	Shareholder Proposal	Use of pay ratios; not in shareholder interests
		22	Shareholder Proposal	Equitable treatment under pension plans; no detail
		23	Shareholder Proposal	Credit card use; not in shareholder interests

Abstain Votes

Company	Date		Resolution	Reason
Metro AG	20.02.15	10	Amend Remuneration	Insufficient disclosure on amendments value
Novartis AG	27.02.15	15	Elect Mr P Landolt	Non-independent NED; insufficient independence
		25	Appoint Auditor	Length of tenure; no evidence of intention to tender
		27	Shareholder Proposal	Misc Proposal; insufficient information to take a view
Agilent Technologies Inc.	18.03.15	1	Elect Mr R Hebold	Non-independent NED; insufficient independence
Bank of Montreal	31.03.15	17	Shareholder Proposal	Resolution to phase out stock options; no view
Keysight Technologies Inc.	19.03.15	5	Compensation Plan	Insufficient disclosure to take a view
Toronto Dominion Bank	26.03.15	21	Shareholder Proposal	Resolution to phase out stock options; no view

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Anhui Tianda Oil Pipe Co. Ltd.	China	23.01.15	3	For All Resolutions
EVN AG	Austria	15.01.15	4	For All Resolutions
Huaneng Power International Inc.	China	06.01.15	1	For Resolution
Amiad Water Systems Limited	Israel	25.02.15	8	For All Resolutions
BBVA	Spain	12.03.15	22	For All Resolutions
Carl Zeiss Meditec AG	Germany	18.03.15	6	For All Resolutions
CRH	Ireland	19.03.15	1	For Resolution
Fortum Oyj	Finland	31.03.15	8	For All Resolutions
MW Japan Fund Limited	Caymans	03.03.15	7	For All Resolutions
Vaisala Oyj	Finland	31.03.15	11	For All Resolutions

US Shareholder Resolutions Supported

Company	Resolution	Date
Monsanto Co.	Proxy Access; shareholders able to nominate directors to the Board	30.01.15
	Appointment of an independent Chair; supports improved governance	30.01.15

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

EdenTree
24 Monument Street
London
EC3R 8AJ

T +44 (0)20 1234 5678

 @edentree

edentreeim.com

PROFIT WITH PRINCIPLES

