

Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 March 2020

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 11 and 21) 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 March 2020

PROFIT WITH PRINCIPLES

UK Key Events: Quarter to 31 March 2020

- The **Financial Reporting Council** has criticised companies for paying ‘lip service’ to governance after it introduced new provisions in the UK Corporate Governance Code that call for companies to set out a ‘clear purpose’ but are instead ‘substituting slogans or marketing lines’. This, the FRC claims is doing a dis-service to shareholders
- **FTSE100 CEOs** were paid 117 times the average UK worker in in 2019, with the ‘average’ CEO paid £3.5m
- **Barclays** is to face a shareholder resolution at its spring AGM calling on the company to begin to phase out the financing of fossil fuel projects, and is the first climate resolution to be filed at a European bank. Since the Paris Agreement was signed Barclays has provided more than \$85bn in loan finance to the fossil fuel industry including oil sands and Arctic drilling; the bank has announced it will present its own climate change resolution at the meeting in order to ‘head off’ the shareholder resolution passing
- The first pay revolt of the new year saw 44.2% of proxies voted against remuneration at **Diploma** after a full bonus was awarded to the new CEO for only seven months work
- Changes to the **UK Corporate Governance Code** mandating that Chairs can only serve nine years in total on FTSE Boards has the potential for causing significant disruption. Research suggests at least 110 Chairs of FTSE350 firms will have exceeded the absolute term in 2020, 33 of whom chair FTSE100 companies with the fear that there may be a shortage of suitable candidates to fill so many vacancies

UK Key Events: Quarter to 31 March 2020

- UK companies paid nearly £300m in fines for money laundering breaches in 2019, with the UK second only to the US in the amount handed down. **Standard Chartered** accounted for a third of the total having been fined £102m by the FCA for shortcomings in its anti-terrorism controls. Globally, money laundering saw penalties of over \$8bn handed down
- The oldest listed property company is to be taken private by its majority owner having felt 'bullied' by investors supporting the Government Hampton-Alexander process to appoint women to the Board. **Daejan Holdings** is controlled by an Orthodox Jewish family and is the last major listed company to have an all male Board
- **BT Group** has announced it is to scrap its LTIP in favour of a restricted share award. The company suggests the maximum package for the CEO could reduce from £8.3m to £5.6m. Typically the share award pay-out could reduce from £4.4m to £2.2m, whilst the company is also expected to reduce bonus opportunity from 240% to 200%
- **Taylor Wimpey** has announced it will scrap all executive bonuses and pay rises in the light of COVID-19 setting a standard of leadership for the sector; the company also announced base salaries would be cut by 30% until the end of June on a voluntary basis, which has been accepted by the whole Board

UK Proxy Voting: Quarter to 31 March 2020

	For	Oppose	Abstain	Total		
Resolutions	273	27	3	303	Equity	Fixed
%	90	9	1	100	22	1
Meetings				23		

Reason for Action	Oppose	Abstain
Remuneration Report	12	1
Board Balance (Directors)	8	1
Individual Incentive Schemes	1	0
Auditors	4	1
Other	2	0
Total	27	3

Proxy voting statistics relate to all EdenTree client Funds under management, institutional, retail and charity, and therefore may include companies excluded on ethical grounds in the Amity Funds, but allowed elsewhere

Oppose Votes

Company	Date*		Resolution	Reason
WH Smith	22.01.20	2	Approve Remuneration Report	500% salary awarded; grossly excessive in aggregate
		6	Re-elect Ms A-M Durbin	Chair, Remuneration Committee; Board has overpaid
Future	05.02.20	2	Approve Remuneration Report	Third year of excessive 'pay creep' unjustified salary lifts
		3	Approve Remuneration Policy	Third year of Policy put to vote to facilitate 'pay creep'
		5	Re-elect Mr A Newman	Member Remuneration Committee; no confidence
		6	Re-elect Mr R Hatrell	Member Remuneration Committee; no confidence
		10	Re-elect Mr H Drayton	Member Remuneration Committee; no confidence
		11	Re-appoint Auditors	Appointment of new auditor 'deferred'; excessive tenure
		12	Set Auditor Fees	Non-audit fees over 200% of audit fee two years' running
		18	Amend Articles	Unjustified increase in non-executive fees
		2	Approve Remuneration Report	Significant vesting at median; excessive in aggregate
Urban & Civic	06.02.20	13	Re-appoint Auditors	No tender for 19 years; no tender likely until 2024
Compass Group	06.02.20	2	Approve Remuneration Report	Poor link to performance; excessive in aggregate
		18	Amend Remuneration Policy	Excessive increase in NED fee ceiling
Victrex	06.02.20	3	Approve Remuneration Policy	Unjustified increase in bonus and LTIP scheme maxima
GCP Infrastructure Investments Ltd	13.02.20	1	Placing; Dis-apply Pre-emption	Disapplication over 20%; breaches best practice; dilution
Sage Group	25.02.20	7	Re-elect Mr D Brydon	Chair Nomination Committee; diversity remains poor
SSP	26.02.20	2	Approve Remuneration Report	Excessive in aggregate; soft performance targets
		9	Re-elect Mr M Clasper	Chair Nomination Committee; very poor diversity

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

Oppose Votes

Company	Date		Resolution	Reason
Inland Homes	04.03.20	4	Re-elect Mr S Bennett	Poor Board independence; Chair & SID non-independent
<i>Leeds Building Society</i>	03.04.20	2	Re-appoint Auditors	Incumbent auditor re-appointed; tenure of 15 years
Smith & Nephew	09.04.20	2	Approve Remuneration Policy	Increase in LTIP maximum without justification; excess
		3	Approve Remuneration Report	Poor link to performance; excessive in aggregate
		16	Approve 2020 Global Share Plan	Increase in scheme maximum without extra performance
Rio Tinto	08.04.20	2	Approve Remuneration Report	Excessive in aggregate; significant vesting at median
		3	Remuneration Report (Australia)	Excessive in aggregate; significant vesting at median
		12	Re-elect Mr S Laidlaw	Chair, Remuneration Committee; excessive rewards

Abstain Votes

Company	Date		Resolution	Reason
Future	05.02.20	7	Re-elect Mr R Huntingford	Chair; failure to rein in Remuneration Committee
Sage Group	25.02.20	2	Approve Remuneration Report	Unjustified, substantial benefits paid to two executives
SSP	26.02.20	10	Re-appoint Auditors	Auditor in place since 2006; incumbent re-appointed 2014

The following votes were registered in support of management

Company	Date	Resolutions	Action
JP Morgan Japanese Investment Trust	17.01.20	14	For All Resolutions
Mitchells & Butlers	21.01.20	18	For All Resolutions
Tracsis	22.01.20	11	For All Resolutions
Shaftesbury	31.01.20	19	For All Resolutions
GCP Infrastructure investments Ltd.	13.02.20	14	For All Resolutions
Phoenix Group Holdings (EGM)	13.02.20	2	For All Resolutions
Caledonian Trust	21.02.20	3	For All Resolutions
Impax Environmental Markets (EGM)	24.02.20	1	For Resolution
Sequoia Economic Infrastructure Fund	25.02.20	3	For All Resolutions
Sosandar (EGM)	02.03.20	4	For All Resolutions
Actual Experience	12.03.20	12	For All Resolutions

All proxies voted in support of management are voted in line with our Corporate Governance policy

Ballots Voted but Subsequently Cancelled

Company	Date	Resolutions	Meeting Type
Berkeley Group	18.03.20	6	Ordinary General Meeting (Special)

Owing to the current challenging situation, and for the purposes of transparency, a number of UK meetings executed by EdenTree were subsequently cancelled. These meetings are noted here and have been removed from the voted statistics on Page 7

FTSE 100 Board Diversity*

Company	Rank	%	Comment
Compass Group	26	36%	Substantially exceeds Hampton-Alexander diversity target
Sage Group	65	25%	Remains substantially below Hampton-Alexander diversity target; OPPOSE
Smith & Nephew	32	30%	No change on 2019; close to meeting Hampton Alexander diversity target
Rio Tinto	10	33%	Significant improvement with company meeting Hampton Alexander target

FTSE 250 Board Diversity Identified for Engagement*

Company	Rank	%	Comment
Shaftesbury	141	22%	Recent Board churn – Monitor
SSP	118	17%	Does not meet Davies 2015 target; very poor diversity; OPPOSE

International Corporate Governance Report

Quarter to 31 March 2020

PROFIT WITH PRINCIPLES

International Key Events: Quarter to 31 March 2020

- Public trust in capitalism appears to be at all time low. The annual **Edelman Trust barometer** polled 34,000 people in 28 countries and found that none of the four key institutions measured – business, NGOs, Government and media – were viewed as competent and ethical. Whilst business was found to be competent by 58%, it was judged to be the least ethical
- After several scandals and errors of judgement, an internal Board struggle appears to have forced out **Credit Suisse** CEO, Tidjane Thiam. He had become mired in a spying scandal placing a strain on relations with the Chair and Board after what has been called ‘a high-stakes power struggle’
- Having separated the roles of Chair and CEO, **Deere & Co** have announced that they will be reunited in the person of current CEO, John May, following the retirement of the Chairman in a flagrant breach of corporate governance best practice

International Proxy Voting: Quarter to 31 March 2020

	For	Oppose	Abstain	Total	Meeting Region	No.
Resolutions	217	32	2	251	Europe ¹	7
%	86	13	1	100%	USA/Canada	4
Meetings				19	HK/Singapore	5
Markets Voted				11	Japan	2
Shareblocking				0	Asia – Other ²	1
					Australia/NZ	-
					Emerging ³	-
					Total	19

Reason for Action	Oppose	Abstain
Executive Compensation	8	0
Board Balance (Directors)	10	1
Shareholder Capital Issues	5	0
Other	9	1
Total	32	2

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

Proxy voting statistics relate to all EdenTree client Funds under management, institutional, retail and charity, and therefore may include companies excluded on ethical grounds in the Amity Funds, but allowed elsewhere. At companies where shareblocking is exercised, it is our policy to take no action rather than waive our shareholder rights.

Oppose Votes

Company	Date*		Resolution	Reason
Apple Inc.	26.02.20	3	Elect Mr A Gore	Length of tenure; poor overall Board independence
		5	Elect Mr A Levinson	Length of tenure; poor overall Board independence
		9	Executive Compensation	Compensation is grossly excessive in aggregate
		10	Shareholder Resolution	Proxy access by law amendment; unnecessary proposal
BBVA	13.03.20	14	Remuneration Report	Compensation in aggregate is excessive
Deere & Co.	26.02.20	1	Elect Mr S Allen	Non-independent NED; poor Board independence
		4	Elect Mr D Jain	Non-independent NED; poor Board independence
		6	Elect Mr C Jones	Chair Nomination Committee; insufficient Board diversity
		12	Adopt Exclusive Forum Provision	Proposal may limit shareholder rights
		13	Executive Compensation	Compensation is excessive in aggregate
		14	Approve 2020 Equity Plan	Excessive dilution of <3% to pay additional incentives
Infineon Technologies AG	20.02.20	15	Ratify Auditor	No tender for 110 years; poor audit oversight
		7	Ratify Management Board Acts	Company failed to respond to ESG engagement request
ISB Corporation	27.03.20	9	Appointment of Auditor	Excessive auditor tenure; no tender for 20 years
		2	Elect Mr I Wakao	Poor overall Board independence; poor gender balance
		8	Elect Mr S Kyuse	Audit Committee non-independent; poor independence
Novartis AG	28.02.20	13	Award Special Allowances	Unwarranted special awards to non-executive directors
		29	Appointment of Auditor	No audit tender for 24 years; excessive audit tenure
		31	Additional Proposals	Gives ill-defined unfettered discretion to the Board

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

Oppose Votes

Company	Date		Resolution	Reason
Novo Nordisk	26.03.20	20	Appointment of Auditor	Excessive auditor tenure; no tender for 38 years
		27	Shareholder Resolution	Remuneration disclosure is satisfactory; no benefit
NV Bekaert SA	26.03.20	7	Repurchase Shares; Takeover	Anti-takeover device
		9	Issue Shares; Takeover	Anti-takeover device
		10	Increase Authorised Capital	Potential dilution of existing shareholders
		11	Increase Capital; Takeover	Anti-takeover device
Samsung Electronics	18.03.20	3	Elect Mr C Ho	Non-independent NED; Board insufficiently independent
Tui AG	11.02.20	42	Remuneration Policy	Excessive in aggregate; poor performance link
Walt Disney Co. Inc.	11.03.20	1	Elect Ms S Arnold	Senior NED presided over Chair/CEO combination
		7	Elect Ms M Lagomasimo	Chair Compensation Committee; Board has overpaid
		10	Appoint Auditor	Excessive auditor tenure; no tender for 82 years
		11	Executive Compensation	Poor performance link; excessive in aggregate
		12	Amend 2011 Stock Plan	Potential dilution; of over 5%; excessive stock plan

Abstain Votes

Company	Date		Resolution	Reason
Deere & Co.	26.02.20	16	Shareholder Resolution	Disclosure of Board qualifications; may have some merit
Walt Disney Co. Inc.	11.03.20	6	Elect Mr R Iger	Translation of CEO to Executive Chair; combining roles

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
China Petroleum & Chemical Corp	China	25.03.20	1	For Resolution
Horiba	Japan	28.03.20	13	For All Resolutions
Huaneng Power International	China	05.03.20	3	For All Resolutions
Mapletree Logistics Trust	Singapore	21.02.20	1	For Resolution
Mueller Water Products Inc.	USA	29.01.20	12	For All Resolutions
PetroChina Company Ltd.	China	25.03.20	3	For All Resolutions
Siemens AG	Germany	05.02.20	36	For All Resolutions

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

Non-voted Meeting

Company	Country	Date	Resolutions	Reason
Dream International	Hong Kong	23.03.20	2	Disruption caused by remote working COVID-19

US Shareholder Resolutions Supported

Company	Resolution	Date
Apple Inc.	Resolution linking compensation to sustainability; proposal has merit	26.02.20
	Freedom of expression and access to information; proposal improves transparency	26.02.20
Walt Disney Co. Inc.	Resolution calling for the publication of a lobbying report	11.03.20

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

We work with national and international partners to deliver proxy voting



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