

Global Corporate Governance Report

Proxy Voting Report: Quarter to 30 September 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 accreditation under the European SRI Transparency 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 12-13 & 22) 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 30 September 2019

PROFIT WITH PRINCIPLES

UK Key Events: Quarter to 30 September 2019

- The CEO of **Standard Chartered** has accused shareholders of ‘immaturity’ for opposing his pension payment which amounted to £474,000 in 2018. The backlash from investors has been fierce
- The **Financial Reporting Council** levied almost three times more in fines against UK auditors in 2018 when compared to 2017. In a sign the regulator is toughening its stance, £43m in fines was handed down last year, compared to £15.5m in 2017
- A late surge in PPI claims saw **Lloyds Banking Group** set aside a further £550m in the second quarter, taking the Bank’s total compensation bill for malfeasance to over £20bn. A further provision of between £1.2-1.8bn was made by Lloyds in September. The total PPI bill has now exceeded £50bn in total
- As the UK proxy voting season comes to an end, there have been a flurry of shareholder revolts against executive pay. At **Kingfisher** 22.8% of proxies were cast against pay, and at **JD Sports** 30.5% opposed compensation. However **Vodafone** avoided a clash with investors by making last minute changes, that saw only 12.5% of proxies voted in opposition to remuneration
- **Reckitt Benckiser** is being lobbied to ‘claw-back’ bonuses from the outgoing and previous CEOs after the company settled a \$1.4bn fine as part of the opioid scandal. The two CEOs have received over £100m in pay over the past decade
- Median **CEO FTSE100 pay** in the UK is reported to have fallen by 13% to £3.4m in 2018. However, the figures hide considerable churn among the Index leadership whereby successor CEOs tend to attract – at least initially – lower remuneration packages

UK Key Events: Quarter to 30 September 2019

- As the deadline for **PPI compensation** passed, banks have now paid up to £48bn in respect of mis-sold products and costs incurred from administering claims. **Lloyds Banking Group** accounts for £20bn of the total. RBS faced a further £900m charge for compensation in the final days of August bringing its own mis-selling bill to over £6bn
- **Berkeley Group** suffered a significant shareholder revolt with 43% of proxies opposing Remuneration Policy, whilst at **Greene King**, 32.5% opposed the company's Remuneration Report after the company admitted it paid the outgoing CEO an £850,000 'non-compete' fee which had not been set out in his contract
- Auditor Grant Thornton resigned as auditor to **Sports Direct** after the company announced an unexpected tax bill of €674m, and just hours before the accounts were due to be signed off. The big four all declined to act as the company's auditor in a further humiliation for the Mike Ashley controlled company with 'sclerotic governance'. At the AGM the company had failed to find an auditor leaving the company seven days to find one or have the Government appoint an auditor under statutory powers

UK Proxy Voting: Quarter to 30 September 2019

	For	Oppose	Abstain	Total		
Resolutions	686	44	6	736	Equity	Fixed
%	93	6	1	100	48	1
Meetings				49		

Reason for Action	Oppose	Abstain
Remuneration Report	21	2
Board Balance (Directors)	10	1
Individual Incentive Schemes	4	-
Auditors	7	1
Other	2	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
Land Securities	11.07.19	2	Approve Remuneration Report	Bonus awarded despite poor performance; excessive
BT Group	10.07.19	2	Approve Remuneration Report	Excessive variable pay; over 400% awarded
Johnson Matthey	17.07.19	2	Approve Remuneration Report	Significant vesting at threshold; excessive in aggregate
Severn Trent	17.07.19	14	Re-appoint Auditors	Incumbent re-appointed; no further tender until 2025
<i>Nationwide Building Society</i>	18.07.19	2	Approve Remuneration Report	High base salary and excessive variable pay
Homeserve	19.07.19	2	Approve Remuneration Report	Matching Plan provides for double dipping; performance
		8	Re-elect Ms K Cliffe	Chair, Remuneration Committee; double dipping
		13	Re-appoint Auditors	Incumbent has served 17 years; no tender until 2024
Scapa Group	23.07.19	2	Approve Remuneration Report	Excessive recruitment awards; poor performance link
		3	Approve Remuneration Policy	Poor structure; two long-term schemes; excessive
		16	Approve LTIP	Poor structure; two long-term schemes; excessive
British Land Company	19.07.19	2	Approve Remuneration Report	Excessive in aggregate; significant vesting at threshold
		3	Approve Remuneration Policy	Excessive in aggregate; significant vesting at threshold
Vodafone Group	23.07.19	7	Re-elect Sir C Davis	Member Remuneration Committee; poor oversight
		10	Re-elect Ms V Gooding	Chair Remuneration Committee; poor oversight
		11	Re-elect Mr R James	Member Remuneration Committee; poor oversight
		15	Approve Remuneration Report	Excessive; over 650% awarded; poor performance link
Trifast	24.07.19	9	Re-elect Mr J Shearman	Non-independent NED; insufficient Board independence
		11	Re-appoint Auditors	No tender for over 20 years; no tender before 2020

Oppose Votes

Company	Date		Resolution	Reason
Experian	24.07.19	2	Approve Remuneration Report	Excessive; co-matching plan; double dipping
		10	Re-elect Mr G Rose	Chair, Remuneration Committee; poor performance link
Pennon Group	25.07.19	3	Approve Remuneration Report	Near maximum bonus despite poor environmental record
Tate & Lyle	25.07.19	2	Approve Remuneration Report	Excessive in aggregate; close to 400% salary awarded
National Grid	29.07.19	8	Re-elect Mr J Dawson	Chair, Remuneration Committee; structural weaknesses
		17	Approve Remuneration Policy	Excessive in aggregate; significant vesting at threshold
		18	Approve Remuneration Report	Over 450% awarded; significant vesting at threshold
		19	Approve Political Expenditure	Mandate for £125,000 sought; breaches EIM limit
DS Smith	03.09.19	3	Approve Remuneration Report	Share price fall not reflected in PSP grant reduction
		12	Re-appoint Auditors	Incumbent re-appointed after lengthy tenure
Dixons Carphone	05.09.19	2	Approve Remuneration Report	Unjustified bonus awards given poor performance
		3	Approve Remuneration Policy	Excessive in aggregate; unjustified discretion in place
		13	Re-appoint Auditors	No tender since 2002; no tender proposed until 2023
		17	Approve LTIP	Committee retains unwarranted discretion; performance
Anglesea Mining	05.09.19	6	Re-elect Mr D Lean	Poor overall independence; NEDs may receive incentives
		7	Re-elect Mr H Miller	Poor overall independence; NEDs may receive incentives
		12	Share Issuance w/o Pre-emption	Provides for 33% dilution; breaches market best practice
Berkeley Group	06.09.19	2	Approve Remuneration Policy	Single performance hurdle; dilution exceeds limits
Ashtead Group	10.09.19	2	Approve Remuneration Report	400% salary awarded; excessive in aggregate

Oppose Votes

Company	Date		Resolution	Reason
Ashtead Group	10.09.19	3	Approve Remuneration Policy	475% available in incentives; poor performance link
		12	Re-appoint Auditors	No tender since 2004; no tender proposed until 2024
John Menzies (EGM)	17.09.19	3	Approve Transition Incentive Plan	Rewards one individual; unjustified; excessive
Liontrust Asset Management	17.09.19	3	Approve Remuneration Report	Complex and opaque structure; over 800% salary paid
		9	Re-elect Mr G Yeandle	Chair, Remuneration Committee; overly complex; excess
		10	Re-appoint Auditors	No tender since 2000; incumbent re-appointed in 2015

Abstain Votes

Company	Date		Resolution	Reason
Renewi	11.07.19	13	Re-appoint Auditors	No tender since 1994; tender proposed for 2020
United Utilities	26.07.19	4	Approve Remuneration Policy	Significant vesting at threshold; double-dipping potential
Anglesea Mining	05.09.19	3	Approve Remuneration Policy	Policy provides for NEDs to receive variable pay
Marlowe	18.09.19	4	Re-elect Mr M Gaze	Chair Audit Committee; beneficial owner on Committee
Sosandar	23.09.19	6	Issue Shares Without Pre-emption	Exceeds dilution limits; breach to market best practice
600 Group	25.09.19	4	Issue Shares With Pre-emption	Exceeds dilution limits; breach to market best practice

The Following Votes Were Registered In Support Of Management

Company	Date	Resolutions	Action
HICL Infrastructure	16.07.19	16	For All Resolutions
SSE	18.07.19	20	For All Resolutions
Royal Mail Group	18.07.19	19	For All Resolutions
Target Healthcare REIT (EGM)	18.07.19	1	For Resolution
Target Healthcare REIT (CRT)	18.07.19	1	For Resolution
Fidelity China Special Situations IT	24.07.19	13	For All Resolutions
Halma	25.07.19	20	For All Resolutions
Weiss Korea Opportunity Fund	25.07.19	8	For All Resolutions
JP Morgan Japan Smaller Companies IT	29.07.19	10	For All Resolutions
Syncona Ltd.	30.07.19	13	For All Resolutions
Volex	30.07.19	12	For All Resolutions
Synthomer (EGM)	31.07.19	2	For All Resolutions
Sequoia Economic Infrastructure Income Fund	05.08.19	11	For All Resolutions
John Laing Environmental Assets Group	14.08.19	14	For All Resolutions
Greene King	06.09.19	17	For All Resolutions
Atlantis Japan Growth Fund	12.09.19	13	For All Resolutions
Oxford Instruments	10.09.19	18	For All Resolutions
Knights Group Holdings	24.09.19	16	For All Resolutions
NCC Group	25.09.19	20	For All Resolutions

The Following Votes Were Registered In Support Of Management

Company	Date	Resolutions	Action
John Menzies (Class Meeting – Preference Shares)	17.09.19	1	For Resolution
Greene King (OGM)	09.10.19	1	For Resolution
Greene King (CRT)	09.10.19	1	For Resolution
Hargreaves Lansdown	10.10.19	19	For All Resolutions

FTSE 100 Board Diversity*

Company	Rank	%	Comment
Land Securities	70	40%	Significantly exceeds Hampton-Alexander 2020 target
BT Group	24	27%	Modest improvement on 2018; close to meeting 2020 diversity target
Johnson Matthey	74	33%	Consistent since 2017; meets Hampton-Alexander 2020 diversity target
Severn Trent	93	38%	Has met Hampton-Alexander 2020 diversity target since 2016
SSE	39	30%	Close to meeting Hampton-Alexander diversity target; increase on 2018
British Land Company	82	30%	Close to meeting Hampton-Alexander diversity target; increase on 2018
Vodafone Group	15	41%	Has met Hampton-Alexander 2020 diversity target since 2017
Experian	29	33%	Increase on 2018; meets Hampton Alexander diversity target
Halma	84	40%	Has met Hampton-Alexander 2020 diversity target since 2017
United Utilities	77	27%	Slight fall on 2018 but close to meeting Hampton-Alexander diversity target
National Grid	21	25%	Significant fall on 2018; two new male NEDs; meets Davies target only
DS Smith	100	25%	Modest fall on 2018; one new female NED; meets Davies target only
Berkeley Group	89	25%	No change on 2017/18; meets Davies diversity target only
Ashtead Group	44	33%	Meets Hampton-Alexander 2020 diversity target

FTSE 250 Board Diversity Identified for Engagement*

Company	Rank	%	Comment
Homeserve	123	22%	No change on 2018; continues to miss 25% diversity target - MONITOR

*Data correct at time of voting. 15

International Corporate Governance Report

Quarter to 30 September 2019

PROFIT WITH PRINCIPLES

International Key Events: Quarter to 30 September 2019

- **Banco Santander**, which withdrew its offer to make Andrea Orcel Chief Executive, is facing a €100m lawsuit as Mr Orcel sues the bank for damages for breach of contract. He is demanding the bank hire him or pay €100m in restitution costs. The bank withdrew its offer after saying it could not justify the €50m sign on package that Mr Orcel was demanding
- **ANZ Bank**, Australia's fourth largest bank is to replace performance based incentives with a new focus on fixed rather than variable pay. This follows intense public scrutiny under a Royal Commission, which condemned many of the sector's business practices
- The crisis at **Boeing** has deepened, with the company now facing a class action lawsuit claiming it issued a 'materially false and misleading 2019 proxy statement which failed to discuss the 737MAX crashes'. The company has announced structural changes to its risk management in response to the 737MAX being grounded worldwide
- The **Swedish Corporate Governance Board** has reported a surprising increase in company deviation from the Swedish Code. In total 107 companies (up from 89 in 2017) stated at least one deviation from the Code, with 28 more than one; the most common contention is Nomination Committee independence where an increasing number of 'connected' directors have been appointed
- The **Ryanair** AGM saw a very substantial revolt against executive remuneration, with just 50.5% voting to support a package that could result in the CEO, Michael O'Leary receiving €100m based purely on share price appreciation or doubling company profitability

International Proxy Voting: Quarter to 30 September 2019

	For	Oppose	Abstain	Total
Resolutions	79	31	1	111
%	71	28	1	100
Meetings				13
Shareblocking				0

Meeting Region	No.
Europe ¹	3
USA/Canada	2
HK/Singapore	7
Japan	1
Asia – Other ³	-
Australia/NZ	-
Emerging ²	-
Total	13

Reason for Action	Oppose	Abstain
Executive Compensation	3	0
Board Balance (Directors)	17	1
Shareholder Capital Issues	7	0
Other	4	0

- 1 Ex-UK (see separate report)
 2 Latin America/India/Africa/Israel/Offshore
 3 Malaysia, Thailand, 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
NV Bekaert SA	03.07.19	3	Repurchase Shares (Defence)	May be used as an anti-takeover device
Boustead Projects Limited	26.07.19	5	Elect Mr J Min	Chair, Nomination Committee; poor Board diversity
Boustead Singapore	26.07.19	3	Elect Mr Keong	Insufficient Audit Committee independence
		4	Elect Mr C Cheong	Chair, Nomination Committee; poor Board diversity
		8	Grant Awards & Issue Shares	Non-executive participation; short vesting period
Fujikon Industrial Holdings Ltd.	30.07.19	10	Issues Shares W/O Pre-emption	Excessive issuance; potentially highly dilutive
		12	Issue Repurchased Shares	Issue price discount not disclosed; potentially dilutive
Electronic Arts Inc.	08.08.19	6	Elect Mr R Simonson	Non-independent Chair of Audit Committee
		7	Elect Mr L Ubinas	Chair, Nomination Committee; poor Board diversity
		10	Executive Compensation	Excessive; poor pay-performance link
		11	Ratify Auditors	Excessive tenure; no tender for 32 years
		13	Amend Ability to Call Meetings	Proposal places significant restriction on shareholders
Luk Fook Holdings (International) Ltd.	22.08.19	8	Elect Mr A M W Sum	Time concerns; serves on too many Boards
		9	Elect Mr H Wai	NEDs received unexplained compensation
		12	Issues Shares W/O Pre-emption	Excessive issuance; potentially highly dilutive
		14	Issue Repurchased Shares	Issue price discount not disclosed; potentially dilutive
Mologen AG	29.08.19	5	Elect Mr M Baumann	Poor governance and management performance
		6	Elect Mr I Faus	Poor governance and management performance
		7	Elect Mr W Miller	Poor governance and management performance
		8	Elect Mr Ms M Sohngen	Poor governance and management performance
		9	Elect Mr O Krautscheid	Supervisory Board has failed to represent shareholders

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

Oppose Votes

Company	Date		Resolution	Reason
Mologen AG	29.08.19	11	Elect Mr S Manth	Poor governance and management performance
		13	Appointment of Auditor	Excessive tenure; no tender for 17 years
Texwinca Holdings Ltd.	08.08.19	5	Elect Mr P Chak	Conflict of interest; third party transactions
		6	Elect Mr T Chung	Non-independent NED on Compensation Committee
		9	Elect Mr C Wing	Chair, Nomination Committee; poor Board diversity
		14	Issues Shares W/O Pre-emption	Excessive issuance; potentially highly dilutive
		15	Issue Repurchased Shares	Issue price discount not disclosed; potentially dilutive
Nike Inc.	19.09.19	1.1	Elect Ms A Graf	Non-independent Audit Committee Chair
		2	Executive Compensation	Excessive compensation in aggregate; performance link
		3	Ratify Auditors	Excessive tenure; no tender for 45 years

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

Abstain Votes

Company	Date*		Resolution	Reason
TechnoPro Holdings Inc.	27.09.19	4	Elect Mr Y Nishio	Combined Chair, CEO on Compensation Committee

** 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
Banco Santander SA	Spain	23.07.19	2	For All Resolutions
Boustead Singapore Limited	Singapore	26.07.19	1	For Resolution
Mapletree Logistics Trust	Singapore	15.07.19	3	For All Resolutions

US Shareholder Resolutions Supported

Company	Resolution	Date
Electronic Arts Inc.	Right to call a special meeting; 15% of share capital proposed – acceptable proposal	08.08.19

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

We work with national and international partners to deliver proxy voting



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