

Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 December 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 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 19) 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 2019

PROFIT WITH PRINCIPLES

UK Key Events: Quarter to 31 December 2019

- In a single week that saw the CEOs of **BP**, **Imperial Brands** and **Tesco** all announce they are standing down, new data reveals that the average tenure for a FTSE100 CEO has fallen to 4.6 years from 8.3 years in 2010; the trend is repeated in the US with the average S&P 500 CEO staying on for an average of just five years
- **Shareholder dissent** among FTSE350 investors appears to be at an all time low at just 2.95%, which compares to 3.03% in 2017. However, whilst 97% of investors appear to have voted with management, 68 companies recorded some dissent at or above 20%. For the year to the end of August, 126 resolutions received 20% opposition and were added to the IA public register
- A shareholder resolution calling on global miner **BHP** to halt membership of trade associations that do not support the Paris climate agreement, attracted 22% support. BHP had already announced a review of its trade association members before the resolution was filed
- Following significant shareholder dissent at **Standard Chartered** over CEO, Bill Winter's pension, the company has said he will take a voluntary cut in pay next year. Elsewhere, the CEO of medical devices company **Smith & Nephew** has resigned suddenly after just 18 months in post as remuneration 'failed to meet his expectations'. The Board was understood to be mooting relocating to the US so that they could pay him an alleged \$20m package
- **Kier Group** saw 53.9% of shareholders oppose remuneration. Although no bonuses were paid, the share price has fallen 90% over the past year and investors balked at a grant of shares under the LTIP

UK Key Events: Quarter to 31 December 2019

- The latest **Hampton-Alexander** report on diversity continues to show progress in the number of women serving on Boards which has reached 32.4% for FTSE100 and just below 30% for the FTSE250. There has been less progress in appointing women to Executive Committees, whilst two companies retain all male Boards. Separately, more than 40 investment trusts still have no women on their Boards representing 14% of all listed Trusts
- Reports that both **Barclays** and **Lloyds Banking Group** are planning to cut executive pension payments means that all five main listed UK banks will have responded to shareholder pressure to cut pensions in line with the wider employee base
- An independent review commissioned by **Persimmon** and carried out by a QC has made a withering condemnation of the company's culture of greed and poor building standards including poorly fitting cavity barriers as a 'systemic, nationwide problem. The report concludes that the company has lost its 'sense of purpose' which needs urgent re-articulation

UK Proxy Voting: Quarter to 31 December 2019

	For	Oppose	Abstain	Total		
Resolutions	335	29	6	370	Equity	Fixed
%	91	8	1	100	32	0
Meetings				32		

Reason for Action	Oppose	Abstain
Remuneration Report	10	1
Board Balance (Directors)	12	0
Individual Incentive Schemes	4	0
Auditors	1	0
Other	2	5
Total	29	6

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 Group	17.10.19	7	Approve Remuneration Policy	Poor structure; significant vesting at threshold; excessive
		8	Approve Remuneration Report	Bonus paid wholly for non-financial performance; excess
		9	Remuneration Report (Australia)	Bonus paid wholly for non-financial performance; excess
		15	Re-elect Ms A Frew	Member Remuneration Committee; poor overall structure
		19	Re-elect Baroness S Vadara	Member Remuneration Committee; poor overall structure
Renishaw	24.10.19	4	Re-elect Sir D McMurdy	Controlling shareholder; situation in breach of listing rules
		5	Re-elect Mr J Deer	Controlling shareholder; situation in breach of listing rules
Frontier Developments	30.10.19	6	Re-elect Mr J Mitchell	Non-independent NED; insufficient Board independence
		7	Re-elect Mr D Walsh	Former COO appointed to Audit Committee; breach
Smiths Group	13.11.19	2	Approve Remuneration Report	Opaque structure; potentially excessive in aggregate
		6	Re-elect Mr W Seeger	Former executive on three committees; independence
		9	Re-elect Sir G Buckley	Chair Nomination Committee; poor overall diversity <25%
Genus	14.11.19	3	Approve Remuneration Policy	Single performance metric on PSP; potentially excessive
		4	Approve Performance Share Plan	Single EPS performance hurdle; poor performance
Dunelm Group	19.11.19	8	Re-elect Ms M Seers	Non-independent NED; time concerns; over-boarding
		18	Approve Remuneration Report	Excessive 'golden hello' to incoming CFO; full bonus paid
Close Brothers	21.11.19	2	Approve Remuneration Report	Over 600% salary awarded; excessive in aggregate
		11	Re-elect Ms B Macaskill	Chair Remuneration Committee; Board has overpaid
The Investment Company	21.11.19	5	Re-elect Mr M Perrin	Non-independent NED Chair of Audit Committee; breach

Oppose Votes

Company	Date		Resolution	Reason
Ferguson	21.11.19	2	Approve Remuneration Report	Over 400% salary awarded; performance link; excess
		3	Approve Remuneration Policy	Increase in bonus and LTIP opportunity to 700%; excess
		14	Re-elect Ms J Simmonds	Chair, Remuneration Committee; excessive awards
		19	Amend LTIP	Maximum increased to 500% for US executives
Spectris (EGM)	04.12.19	1	Approve Remuneration Policy	Increase in LTIP maxima; no additional performance
		3	Approve LTIP	Increase in LTIP maxima; no additional performance
		4	Approve Reward Plan	Up to 200% salary available with no performance hurdles
Bellway	10.12.19	10	Re-appoint Auditors	Auditor tenure excessive; no tender since 1979
GCM Resources	18.12.19	7	Issue Shares With Pre-emption	Breaches IA dilution limits (81.5% of issued capital)
		8	Issue Shares Without Pre-emption	Breaches IA dilution limits (81.5% of issued capital)

Abstain Votes

Company	Date		Resolution	Reason
BHP Group	17.10.19	21	Shareholder Resolution	Constitution change; affects Australian company only
		22	Shareholder Resolution	Proposal has merit; company has provided reassurances
Picton Property Income Ltd.	14.11.19	3	Approve Remuneration Report	Significant vesting at threshold; poor performance link
Bioventix	12.12.19	7	Authority to Allot Shares	Insufficient information provided to make a decision
		8	Authority to Allot Shares	Insufficient information provided to make a decision
		9	Authority to Purchase Shares	Insufficient information provided to make a decision

The following votes were registered in support of management

Company	Date	Resolutions	Action
Prudential (EGM)	15.10.19	2	For All Resolutions
The Renewables Infrastructure Group (EGM)	17.10.19	1	For Resolution
Dechra Pharmaceuticals	18.10.19	18	For All Resolutions
WPP (EGM)	24.10.19	1	For Resolution
Schroder Japan Growth Fund	06.11.19	13	For All Resolutions
Kier Group	15.11.19	16	For All Resolutions
Hotel Chocolat Group	21.11.19	15	For All Resolutions
The PRS REIT	25.11.19	10	For All Resolutions
IP Group (EGM)	25.11.19	3	For All Resolutions
Future	25.11.19	1	For Resolution
Clinigen	26.11.19	16	For All Resolutions
Vietnam Holding Ltd.	08.11.19	11	For All Resolutions
DX Group	28.11.19	8	For All Resolutions
Essensys	28.11.19	11	For All Resolutions
Target Healthcare REIT	28.11.19	14	For All Resolutions
Impax Environmental Markets (EGM)	04.12.19	1	For Resolution
Applied Graphene Materials	17.12.19	9	For All Resolutions
WH Smith (EGM)	18.12.19	1	For Resolution

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

FTSE 100 Board Diversity*

Company	Rank	%	Comment
BHP Group	5	30%	Reduction on 2018 owing to director resignation; close to meeting target
Smiths Group	75	20%	Diversity remains poor, and has been below 25% since 2012; OPPOSE
Ferguson	38	40%	Significantly ahead of meeting Hampton-Alexander diversity target

International Corporate Governance Report

Quarter to 31 December 2019

PROFIT WITH PRINCIPLES

International Key Events: Quarter to 31 December 2019

- The French regulator is to investigate the effect of **short-sellers and activist investors** on the French market, and has published recommendations to prevent them from 'unfairly destabilising' French companies. Regulation is likely to stop short of banning the practice, but may require improved disclosure of activity and introduce a 'fast track' process allowing companies redress
- The **Australian Prudential Regulation Authority** is proposing stricter corporate governance reporting by companies in the wake of several scandals. They are to propose an annual report on governance and corporate culture, with more in depth assessment of Board effectiveness, risk mitigation and they will be 'ranked' with the rankings made public
- Australia's second largest bank by assets, **Westpac**, is facing a record fine after being accused of very significant money-laundering breaches. The bank has been condemned for 23 million violations of anti-money-laundering rules and potential links to child exploitation rings. In theory the bank can be fined A\$21m for each breach making the potential fine A\$300 trillion. The CEO has since stepped down.
- The **SEC** has angered proxy advisors by announcing a crackdown on the power they exercise to 'influence' voting outcomes. Corporate America has become increasingly vocal in its criticism of proxy advisors, citing insufficient competition and shareholders that by rote follow recommendations. The SEC also plans to 'modernise' rules around filing shareholder proposals to make the qualifications more onerous and to disallow the same proposal more than once if it attracted less than 5% if voted on once, 15%, if voted on twice and 25% if voted on three previous occasions.

International Key Events: Quarter to 31 December 2019

- **Ericsson** has been fined more than \$1bn in penalties and fines to settle US corruption investigations launched by the SEC and DoJ. The settlement includes \$520m in criminal penalties after Ericsson was found culpable for corruption and bribery violations in five countries including paying a \$2.1m bribe to Djibouti to win a €20.3m contract
- **Starbucks** is to 'reward' its CEO and COO with a one-time cash award of up to \$50m with a reduced performance hurdle of achieving 65th percentile rather than the current 80th

International Proxy Voting: Quarter to 31 December 2019

	For	Oppose	Abstain	Total	Meeting Region	No.
Resolutions	94	12	3	109	Europe ¹	3
%	86	11	3	100	USA/Canada	3
Meetings				15	HK/Singapore	5
Markets Voted				9	Japan	0
Shareblocking				0	Asia – Other ²	0
					Australia/NZ	2
					Emerging ³	2
					Total	15

Reason for Action	Oppose	Abstain
Executive Compensation	3	0
Board Balance (Directors)	2	0
Shareholder Capital Issues	0	0
Other	7	3
Total	12	3

- 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	15.10.19	3	Re-elect Mr C Dunn	Former CEO of AMP censured by Royal Commission
		7	Remuneration Report	Compensation is excessive in aggregate
		9	Board Spill Resolution	Unnecessary procedure; seen as option of last resort
Bingo Industries Limited	13.11.19	2	Remuneration Report	NEDs in receipt of stock incentives; excessive increases
China Oilfield Services	18.12.19	5	Authority to Give Guarantees	Insufficient information provided by the company
			Authority Issue US Dollar Bonds	Insufficient information provided by the company
Cisco Systems Inc.	10.12.19	12	Appoint Auditors	Excessive tenure of 31 years; no tender proposed
Medtronic Plc	06.12.19	12	Elect Mr K Powell	Connected non-independent NED on two committees
		13	Appoint Auditors	Excessive tenure of 56 years; no tender proposed
Microsoft Corporation	04.12.19	14	Executive Compensation	Compensation is grossly excessive in aggregate
		15	Appoint Auditors	Excessive tenure of 35 years; no tender proposed
		17	Shareholder Proposal	Gender pay equity report; sufficient information provided

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

Abstain Votes

Company	Date		Resolution	Reason
MW Japan Fund	11.10.19	1	Accounts and Reports	Insufficient information provided by the company
		2	Appointment of Auditor	Insufficient information provided by the company
		3	Authority to Set Auditor's Fees	Insufficient information provided by the company

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
a.s.r. Nederland NV	Netherlands	30.10.19	2	For All Resolutions
Mapletree Logistics Trust	Singapore	20.11.19	1	For Resolution
Vietnam Holding Ltd.	Cayman Islands	08.11.19	11	For All Resolutions
Amiad Water Systems Limited	Israel	12.12.19	18	For All Resolutions
Dah Chong Hong Holdings Ltd. (EGM)	Hong Kong	19.12.19	1	For Resolution
Dah Chong Hong Holdings Ltd. (CRT)	Hong Kong	19.12.19	1	For Resolution
Greencoat Renewables	Ireland	16.12.19	4	For All Resolutions
Huaneng Power International Inc.	China	17.12.19	3	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	10.12.19
Microsoft Corporation	Prepare report on employee Board representation – proposal has merit	04.12.19

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

Annual Corporate Governance Statistics

Year to 31 December 2019

PROFIT WITH PRINCIPLES

UK Proxy Voting: Year to 31 December 2019

	For	Oppose	Abstain	Total		
Resolutions	2,825	195	37	3,057	Equity	Fixed
%	92	6	2	100	200	6
Meetings				206		

Reason for Action	Oppose	Abstain	%
Remuneration Report	80	16	41
Board Balance (Directors)	63	6	30
Individual Incentive Schemes	11	1	5
Auditors	27	6	14
Other	14	8	10
Total	195	37	100%

International Proxy Voting: Year to 31 December 2019

	For	Oppose	Abstain	Total
Resolutions	1,754	271	13	2,038
%	86	13	1	100
Meetings				161
Markets Voted				26
Shareblocking				5

Meeting Region	No.
Europe ¹	78
USA/Canada	29
HK/Singapore	37
Japan	8
Asia – Other ²	2
Australia/NZ	3
Emerging ³	4
Total	161

Reason for Action	Oppose	Abstain
Executive Compensation	54	0
Board Balance (Directors)	98	2
Shareholder Capital Issues	41	0
Other	78	11
Total	271	13

- 1 Ex-UK
2 Malaysia, Thailand, Vietnam etc.
3 Latin America/India/Africa/Israel/Offshore

Grand Total Proxy Voting: Year to 31 December 2019

	For	Oppose	Abstain	Total
Resolutions	4,579	466	50	5,095
%	90	9	1	100
Meetings				367
Markets Voted				30
Shareblocking				5

Reason for Action	Oppose	Abstain	%
Executive Compensation	145	17	31
Board Balance (Directors)	161	8	33
Shareholder Capital Issues	41	0	8
Other	119	25	28
Total	466	50	100

Meeting Region	No.
UK ¹	206
Europe ¹	78
USA/Canada	29
HK/Singapore	37
Japan	8
Asia – Other ²	2
Australia/NZ	3
Emerging ³	4
Total	367

- 1 UK includes IOM and Channel Islands
- 2 Ex-UK
- 3 Malaysia, Thailand, Vietnam etc.
- 4 Latin America/India/Africa/Israel/Offshore

Our Partners

We work with national and international partners to deliver proxy voting



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