

Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 March 2018

PROFIT WITH PRINCIPLES

16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



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 positive screen
- Our commitment to transparency under SDG 16

UK Corporate Governance Report

Quarter to 31 March 2018

PROFIT WITH PRINCIPLES

UK Key Events: Quarter to 31 March 2018

- The FRC (Financial Reporting Council) has begun a consultation on a new **UK Corporate Governance Code**, which is intended to be more concise. Recommendations include workforce representation on the Board; the Chair's term being limited to nine years in total; and majority independence to include the Chair. EIM expects to submit a response by the end of February deadline
- New research shows FTSE100 companies are still making multi-billions worth of provisions for past **malfeasance**. In 2016, the FTSE100 set aside £26.2bn in legal provisions to meet the expected costs of litigation. That was down from £31.1bn in 2015, but still represents a huge drag on reputation and trust. The top four UK banks account for over half of the total (£14.6bn)
- **Mitchells & Butlers** saw strong opposition to the re-election of four directors at the AGM with each incurring over 20% oppose votes. M&B has a number of connected directors on the Board representing the major shareholder, whilst independence is generally poor
- The increasingly acrimonious row over the executive share plan at house-builder **Persimmon** escalated after the Chief Executive of competitor **Redrow** said the company had brought the entire sector into disrepute. The Chairman and Chair of the Persimmon Remuneration Committee resigned after it transpired executives could 'earn' £100m from the uncapped scheme as a result of share price rises
- **Standard Life Aberdeen** has said it will respond to disquiet over executive pay by 'reining in' overall limits on remuneration. The joint Chief Executives will be eligible for bonus and share awards of 600% going forward, instead of 1,000% as under the old scheme

UK Key Events: Quarter to 31 March 2018

- The Institute of Directors (IoD) has called for tougher rules on **executive pay**, particularly emphasising the effect of share buy-backs in boosting share awards. The IoD has also called for better worker representation in the Boardroom
- A coalition of investors including the Church of England is proposing a shareholder resolution at the **Rio Tinto** AGM calling on the company to evaluate whether its membership of three coal lobbying groups in Australia is consistent with its signing the Paris Agreement – the vote will only be held in Australia
- Almost 23% of proxies were voted to oppose remuneration policy at catering company **SSP Group**
- After having its pay policy voted down by 72% in 2017, **Weir Group** has said it will abandon its long-term incentive plan in favour of issuing restricted shares locked in for seven years. These typically carry no performance tests
- **Royal Bank of Scotland**, majority owned by the UK taxpayer, has been forced to bow to shareholder pressure to hold a vote on whether to set up a shareholder committee that will be invested with powers. Any vote would require 75% support and will be wholly dependent on the UK Government supporting it
- After an assertive campaign led by EIM, **Aviva** announced it would reverse its intention to cancel and redeem £450m of preference shares. The furious backlash accused Aviva of unethical behaviour

UK Proxy Voting: Quarter to 31 March 2018

	For	Oppose	Abstain	Total		
Resolutions	379	28	3	410	Equity	Fixed
%	92	7	1	100	35	3
Meetings				38		

Reason for Action	Oppose	Abstain
Remuneration Report	15	2
Board Balance (Directors)	9	0
Individual Incentive Schemes	3	0
Auditors	0	1
Other	1	0

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	24.01.18	2	Approve Remuneration Report	Over 500% awarded; poor performance link; excessive
		7	Re-elect Mr D Hall	Chair Remuneration Committee; Board has overpaid
Mitchells & Butlers	23.01.18	5	Elect Mr K Browne	Poor Board balance; non-independent connected NED
		9	Re-elect Mr B Ivell	Chair Nomination Committee; poor diversity policy
Britvic	31.01.18	3	Approve Remuneration Policy	Excessive; over 500% available; double dipping
		4	Approve Remuneration Report	130% salary available at median; poor performance link
		7	Re-elect Ms S Clark	Chair, Remuneration Committee; Board has overpaid
		8	Re-elect Mr J Daly	Member Remuneration Committee; Board has overpaid
		11	Re-elect Mr I McHoul	Member Remuneration Committee; Board has overpaid
Future	05.02.18	2	Approve Remuneration Report	Transaction Bonus paid to CEO/FD; best practice breach
Urban & Civic	08.02.18	3	Approve Remuneration Policy	Unjustified increase in compensation to 400%; excessive
		20	Amend Performance Share Plan	Unjustified increase in scheme maxima to 300%; excess
GCP Infrastructure Investments Ltd	09.02.18	1	Dis-apply Pre-emption Rights	Non-executives paid a bonus for each placing
GCP Infrastructure Investments Ltd	09.02.18	2	Approve Remuneration Report	Additional payment made to NEDs for each share placing
		13	Approve Remuneration Policy	Additional payment made to NEDs for each share placing
Compass Group	08.02.18	2	Approve Remuneration Policy	Unjustified increase in LTIP maxima; excessive
		3	Approve Remuneration Report	Poor link to performance; excessive in aggregate
		19	Approve 2018 LTIP	Increase in scheme maxima to 300%; excessive
Victrex	09.02.18	7	Re-elect Mr A Dougal	Chair of Audit Committee; former Carillion NED

Oppose Votes

Company	Date		Resolution	Reason
Actual Experience	28.02.18	3	Re-elect Mr M Reilly	Non-independent NED; insufficient Board independence
Smith & Nephew	12.04.18	2	Approve Remuneration Report	Excessive in aggregate; over 400% salary awarded
Rio Tinto	11.04.18	2	Approve Remuneration Policy	Excessive in aggregate. Poor performance link
		3	Approve Remuneration Report	Excessive; over 500% salary awarded; performance link
		4	Remuneration Report (Australia)	Excessive; over 500% salary awarded; performance link
		11	Re-elect Mr S Laidlaw	Chair, Remuneration Committee; Board has overpaid
Porvair	17.04.18	2	Approve Remuneration Policy	Maximum opportunity increased without justification
		14	Approve 2018 LTIP	Maximum opportunity increased without justification
RELX	19.04.18	2	Approve Remuneration Report	Excessive variable pay in aggregate

Abstain Votes

Company	Date		Resolution	Reason
Future	05.02.18	3	Approve Remuneration Policy	Excessive and unjustified increases to CEO base salary
Sage Group	28.02.18	14	Approve Remuneration Report	Directors paid twice for same performance; poor structure
Leeds Building Society	12.04.18	2	Re-appoint Auditors	Incumbent re-appointed after over 10 years in place

The following votes were registered in support of management

Company	Date	Resolutions	Action
Domino's Pizza (EGM)	11.01.18	1	For Resolution
Connect Group	23.01.18	17	For All Resolutions
Patisserie Holdings	30.01.18	11	For All Resolutions
On the Beach Group	08.02.18	16	For All Resolutions
Dechra Pharmaceuticals (EGM)	12.02.18	4	For All Resolutions
Target Healthcare REIT Ltd. (EGM)	21.02.18	1	For Resolution
Caledonian Trust	23.02.18	4	For All Resolutions
Booker (EGM)	28.02.18	1	For Resolution
Tesco (EGM)	28.02.18	1	For Resolution
Trinity Mirror (EGM)	27.02.18	1	For Resolution
John Laing Environmental Assets Group	02.03.18	1	For Resolution
3i Infrastructure (EGM)	14.03.18	3	For All Resolutions
Arix Bioscience (EGM)	16.03.18	2	For All Resolutions
Provident Financial (EGM)	21.03.18	1	For Resolution
Great Portland Estates (EGM)	26.03.18	7	For All Resolutions
Flowtech Fluidpower (EGM)	03.04.18	4	For All Resolutions
Informa (EGM)	17.04.18	1	For Resolution
UBM (EGM)	17.04.18	1	For Resolution
Harwood Wealth Management Group	18.04.18	10	For All Resolutions

The following votes were registered in support of management

Company	Date	Resolutions	Action
Domino's Pizza Group	19.04.18	20	For All Resolutions
<i>Nottingham Building Society</i>	17.04.18	8	For All Resolutions
<i>Skipton Building Society</i>	23.04.18	15	For All Resolutions

FTSE 100 Board Diversity*

Company	Rank	%	Comment
Compass Group	27	20%	Currently below Davies 2015 targets; Board has seen some churn - Monitor
Sage Group	60	22%	Currently below Davies 2015 targets; Board has seen some churn - Monitor
Smith & Nephew	43	25%	Meets Davies 2015 target; diversity has varied considerably – 20% in 2017
Rio Tinto	7	22%	An additional female NED joins in 2018 which will meet Davies targets
RELX	19	36%	Significantly exceeds Hampton-Alexander target of 30% by 2020

FTSE 250 Board Diversity Identified for Engagement*

Company	Rank	%	Comment
Mitchells & Butlers	259	9%	No change in overall diversity; four male connected NEDs - Engage

**Data correct at time of voting.* 11

International Corporate Governance Report

Quarter to 31 March 2018

PROFIT WITH PRINCIPLES

International Key Events: Quarter to 31 March 2018

- **Sri Lanka** has released a revised Code of Best Practice on Corporate Governance refreshing a Code first published in 1997. key changes include an annual review of Board skills and competencies, an increase to the number of independent non-executives, a strong focus on Board ethics and ESG reporting requirements
- The number of US companies hosting virtual-only AGMs has increased by 40% over the past year, according to new research. At least 212 US companies held online-only meetings in a move that has been criticised for disenfranchising small shareholders; 21 of the total were Fortune 500 companies, although a move by **Conoco Phillips** to hold only virtual meetings was thwarted by a coalition of investors
- The **Corporate Governance Council of Singapore** has announced a consultation on its Code. The proposed revisions focus on Board competency, renewal, director independence and enhancing diversity. **Denmark** has also published updated corporate governance recommendations relating to its Code which includes remuneration disclosure and a statement on the link between pay and long-term performance
- **Malaysia** is close to achieving its target for appointing women to its top 100 companies. By the end of 2018 a target of no **all male boards** was set, and by January the Malaysian SEC announced only seven all male boards remained, a 65% improvement on December 2016

International Key Events: Quarter to 31 March 2018

- The Federal Reserve has unusually taken strident steps to curb future financial malfeasance by 'forcing' **Wells Fargo** to remove four directors and has barred the Bank from expanding until it has improved its governance. The unusually stern reprimand has put the entire sector on notice that the Fed will act
- The **Australian SEC** is proposing allowing shareholders to table resolutions on the same basis as in the UK. Currently, Australian company law does not allow the proposing of shareholder resolutions, and is among the most restrictive in the world. Separately, there remain six ASX200 companies with no women on the Board, and 64 with only one
- Dutch bank **ING** has been forced to withdraw a 50% pay rise for its CEO after 'underestimating' the public response. The Supervisory Board was forced to backtrack after a furious row erupted including Dutch MPs who labelled the bank 'arrogant' and 'out of touch'. The proposal would have seen CEO pay rise to over €3m
- In an unusual move, **Nordea Bank** will re-incorporate from Sweden to Finland in order to avoid onerous new regulatory requirements imposed by the Swedish authorities. The vote achieved 96.9% support, mostly owing to the bank's largest shareholder, Finnish insurer, Sampo voting in favour

International Proxy Voting: Quarter to 31 March 2018

	For	Oppose	Abstain	Total
Resolutions	224	21	2	247
%	91	8	1	100
Meetings				22
Shareblocking				-

Meeting Region	No.
Europe ¹	11
USA/Canada	1
HK/Singapore	5
Japan	2
Asia – Other ³	1
Australia/NZ	1
Emerging ²	1
Total	22

Reason for Action	Oppose	Abstain
Executive Compensation	4	-
Board Balance (Directors)	8	1
Shareholder Capital Issues	-	-
Other	9	1

- 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
Siemens AG	31.01.18	11	Elect Mr M Diekmann	Chair Compensation Committee; excessive awards
Apple Inc.	13.02.18	10	Executive Compensation	Compensation is grossly excessive; performance link
Graincorp Limited	15.02.18	4	Re-elect Ms R Dee-Bradbury	Poor overall diversity; Chair of Nomination Committee
Infineon Technologies AG	22.02.18	9	Appointment of Auditor	No change in auditor for 19 years; no proposal to tender
Metro AG	16.02.18	6	Ratify Management Board Acts	Investigations ongoing into market abuse; no elections
		7	Ratify Supervisory Board Acts	Investigations ongoing into market abuse; no elections
Zojirushi Corporation	19.02.18	2	Elect Mr N Ichikawa	Insufficient independence; Chair Nomination Committee
China Hongxing Sports Limited	28.03.18	2	Disposal of Shares of Profitstart	Not in shareholder interests
		3	Amend Bylaws	Not in shareholder interests
		4	Capital Reorganisation	Not in shareholder interests
Ericsson	28.03.18	17	Elect Mr J Carlson	Serves on too many boards; time concerns
		24	Elect Ms H Stjemoholm	Serves on too many boards; time concerns
		35	Shareholder Resolution	Proposal deemed not to be in shareholder interests
ISB Corporation	29.03.18	2	Elect Mr I Wakao	Poor Board diversity; director responsible for nomination
		7	Elect Mr K Wakao	Connected director; Board insufficiently independent
		11	Retirement Allowances	Grants made to statutory auditors; inappropriate rewards
Novartis AG	02.03.18	7	Executive Compensation	Excessive in aggregate; poor performance link
		8	Compensation Report	Total combined opportunity is excessive
		25	Appointment of Auditor	PwC has served as auditor for 22 years; no tender due
		27	Miscellaneous Proposals	Grants 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
Samsung Electronics	23.03.18	5	Elect Mr L Hoon	Board is insufficiently independent

Abstain Votes

Company	Date		Resolution	Reason
Siemens AG	31.01.18	9	Ratify Supervisory Board Acts	No compensation vote; significant controversies
Novo Nordisk	22.03.18	14	Elect Mr A Fibig	Serves on too many boards; time concerns

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Huaneng Power International Inc.	China	30.01.18	2	For All Resolutions
Noble Group	Hong Kong	25.01.18	2	For All Resolutions
Trinity Ltd.	Hong Kong	17.01.18	3	For All Resolutions
Amiad Water Systems Limited	Israel	28.02.18	4	For All Resolutions
BBVA	Spain	15.03.18	14	For All Resolutions
Banco Santander SA	Spain	22.03.18	27	For All Resolutions
Ezion Holdings limited	Singapore	28.03.18	1	For Resolution
Fortum Oyj	Finland	28.03.18	12	For All Resolutions
Kemira Oyj	Finland	21.03.18	9	For All Resolutions
Randstad Holdings NV	Netherlands	27.03.18	17	For All Resolutions

US Shareholder Resolutions Supported

Company	Resolution	Date
Apple Inc.	Shareholder proposal; amend proxy access bylaw – proposal improves investor access	13.02.18
	Shareholder proposal; form human rights committee; proposal has merit; supply chain	13.02.18

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

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