



Global Corporate Governance Report

Proxy Voting Report: Quarter to 31 December 2016

PROFIT WITH PRINCIPLES

UK Corporate Governance Report

Quarter to 31 December 2016

PROFIT WITH PRINCIPLES



UK Key Events: Quarter to 31 December 2016

- In an unusual move independent shareholders voted to remove James Murdoch as Chairman of **Sky** citing conflict of interests with its largest shareholder, 21st Century Fox, where Murdoch is CEO. Murdoch was re-elected with 71% of the proxies cast, which includes the 39% controlled by Fox, leaving a majority of independent shareholders (50.6%) calling for his removal
- UK Prime Minister Theresa May having suggested she would work to empower **worker directors** has now softened her stance suggesting that following a consultation ‘the best model that is going to work for everybody’ will be pursued
- The UK Government published its Green Paper ‘**Corporate Governance Reform**’ in November. The consultation asks 14 questions and presents a range of options around executive pay, employee stakeholders, and applying the principles of good corporate governance to non-listed entities
- Following several profit warnings, it has been announced that departing **Mitie Group** CEO, Ruby McGregor-Smith will leave with a £500,000 payoff, and will in all likelihood receive a bonus for 2016 after it was stated she would remain on the payroll until March 2017. She continues to receive other contractual benefits until October 2017
- The UK Government is to push ahead with **gender pay-gap reporting** requirements for companies with more than 250 employees. The rules, following a consultation, come into effect in April 2017

UK Proxy Voting: Quarter to 31 December 2016

	For	Oppose	Abstain	Total	Equity	Fixed
Resolutions	410	36	4	450		
%	91	8	1	100	40	-
Meetings				40		

Reason for Action	Oppose	Abstain
Remuneration Report	7	2
Board Balance (Directors)	15	-
Individual Incentive Schemes	3	1
Auditors	10	1
Other	1	-

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
Sky	13.10.16	3	Approve Remuneration Report	Excessive in aggregate; over 500% salary awarded
		6	Re-elect Ms T Clarke	Chair, Remuneration Committee; poor performance link
		9	Re-elect Mr M Pigasse	Non-independent NED; insufficient Board independence
		11	Re-elect Mr J Murdoch	Non-independent NED; insufficient Board independence
		12	Re-elect Mr C Carey	Non-independent NED; insufficient Board independence
		13	Re-elect Mr J Nallen	Non-independent NED; insufficient Board independence
		14	Re-appoint Auditors	Excessive non-audit fees; no tender since 2002
John Menzies	11.10.16	4	Award Shares to Chairman	20,000 shares awarded in addition to fee; excessive
BHP Billiton	20.10.16	2	Re-appoint Auditors	No tender for 13 years; no tender before 2019
		7	Approve Remuneration Report	Excessive awards given; poor performance link
		8	Australia: Remuneration Report	Excessive awards given; poor performance link
		9	Australia: Approve Grants to CEO	Excessive awards given; poor performance link
Schroder Japan Growth Fund	02.11.16	7	Re-appoint Auditors	No tender since 1994; no tender proposed until 2020
Jupiter European Opportunities	02.11.16	9	Re-appoint Auditors	No tender since 2000; no tender proposed until 2023
Brooks Macdonald	25.10.16	6	Re-elect Mr C Knight	Non-independent Chair; insufficient Board independence
Pacific Horizon IT	09.11.16	5	Re-elect Mr D Mc Dougall	Non-independent NED; insufficient Board independence
		7	Re-appoint Auditors	No tender for 26 years; no tender proposed before 2020
Close Brothers	17.11.16	2	Approve Remuneration Report	Excessive in aggregate; over 500% salary available

* Date refers to 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
Close Brothers	17.11.16	12	Re-appoint Auditors	No change in auditor since 1984; no proposal to tender
Smiths Group	18.11.16	2	Approve Remuneration Report	Excessive in aggregate; poor link to performance
		13	Re-appoint Auditors	No change in auditor since 1997; no tender before 2019
Genus	17.11.16	3	Approve Remuneration Report	Increase in bonus maxima without justification; excess
		18	Re-elect Mr N Turner	Chair Remuneration Committee; unjustified bonus rise
Dunelm	22.11.16	8	Re-elect Ms M Sears	Non-independent NED; insufficient Board independence
		9	Re-elect Ms M Sears*	Non-independent NED; insufficient Board independence
		10	Re-elect Mr S Emeny	Non-independent NED; insufficient Board independence
		11	Re-elect Mr S Emeny*	Non-independent NED; insufficient Board independence
Picton Property Income	30.11.16	6	Re-elect Mr R Sinclair	Non-independent NED; insufficient Board independence
		7	Re-elect Mr N Thompson	Non-independent NED; insufficient Board independence
Vernalis	01.12.16	2	Approve Remuneration Report	Multiple incentive schemes; potentially excessive
		6	Re-appoint Auditors	No change in auditor since 2003; no proposal to tender
The Investment Company	08.12.16	4	Re-elect Mr P Allen	Majority of directors not independent
		5	Re-appoint Auditors	No change in auditor since 1987; no tender before 2020
Bellway	13.12.16	11	Re-appoint Auditors	No change in auditor since 1979; no proposal to tender
BACIT Limited (EGM)	14.12.16	1	Discontinuation Vote	Discontinuation not in shareholder interests
DotDigital	20.12.16	7	Approve Share Matching Plan	Poor disclosure; plan for CEO only; no substantive value

* Independent shareholder vote owing to family block vote

Abstain Votes

Company	Date		Resolution	Reason
Rank Group	14.10.16	2	Approve Remuneration Report	Undue Committee discretion; LTIP cliff vesting
Dunelm	22.11.16	19	Re-appoint Auditors	Non-audit fees are excessive; potential conflict of interest
Wolseley	29.11.16	2	Approve Remuneration Report	Remuneration in aggregate potentially excessive
BACIT Limited (EGM)	14.12.16	5	Approve LTIP	Opaque scheme; value cannot be determined

The following votes were registered in support of management

Company	16.12.16Date	Resolutions	Action
Informa (EGM)	10.10.16	1	For Resolution
Shanks Group (EGM)	24.10.16	4	For All Resolutions
Dechra Pharmaceuticals	21.10.16	15	For All Resolutions
esure (EGM)	01.11.16	2	For All Resolutions
City of London Investment Trust	27.10.16	14	For All Resolutions
Target Healthcare REIT	10.11.16	10	For All Resolutions
Swallowfield	10.11.16	11	For All Resolutions
Galliford Try	11.11.16	19	For All Resolutions
Kier Group	18.11.16	20	For All Resolutions
<i>Dee Valley Group (EGM)¹</i>	<i>28.11.16</i>	<i>1</i>	<i>For Resolution</i>
Inland Homes	01.12.16	8	For All Resolutions
Hotel Chocolat	01.12.16	12	For All Resolutions
SVG Capital (EGM)	05.12.16	2	For All Resolutions
DX Group	06.12.16	8	For All Resolutions
Bioventix	07.12.16	6	For All Resolutions
GCM Resources	15.12.16	7	For All Resolutions
Wadworth & Co.	16.12.16	8	For All Resolutions
John Laing Environmental Assets (EGM)	16.12.16	1	For Resolution

¹This meeting was adjourned indefinitely pending a higher bid for the company by a third party; although voted, the meeting has not been included in overall voting statistics

The following votes were registered in support of management

Company	Date	Resolutions	Action
JP Morgan Japanese Investment Trust	20.12.16	12	For All Resolutions
Sanne Group	16.12.16	2	For All Resolutions
Cambian Group (EGM)	27.12.16	1	For Resolution
Camper & Nicholson Marine Investments (EGM)	03.01.17	1	For Resolution

FTSE 100 Board Diversity*

Company	Rank	%	Comment
Sky	29	20%	Materially below Davies diversity criteria 2015 target
BHP Billiton	17	28%	Meets Davies diversity criteria 2015 target; close to meeting 2020 target
Smiths Group	83	22%	Slight reduction on 2015 and no longer meets 2015 Davies diversity target
Wolseley	46	33%	Comfortably meets Hampton-Alexander 2020 target; meets Davies target

Correction to Q3 UK Voting Report

Company	Date*		Resolution	Reason
SSE*	21.07.16	3	Approve Remuneration Policy	Ratcheting of bonus and PSP; no additional performance

** Our original report stated we opposed Resolution 2, Remuneration Report – this resolution was supported. The item opposed related to Remuneration Policy*

International Corporate Governance Report

Quarter to 31 December 2016

PROFIT WITH PRINCIPLES



International Key Events: Quarter to 31 December 2016

- In a sign that regulators are getting tough with **auditors**, EY has had enforcement action taken against it by the SEC after the firm was found to have breached auditor independence rules. EY agreed to pay \$9.3m in settlement after claims that two of its partners built inappropriate relationships with clients in order to secure business
- Activist investors are applying pressure on **Volkswagen** to change its incentive arrangements after it came to light that in spite of the emissions scandal 12 current and former executives received €63.2m in bonuses
- The move to separate the roles of Chair and Chief Executive at major US companies continues as **Caterpillar** announces it is to separate the roles after the current CEO retires in March
- Following a majority shareholder vote at its AGM, **Exxon** has bowed to investor pressure and will amend its Articles to allow proxy access thereby allowing shareholders to nominate directors to the Board for the first time
- Over 50% of shareholders opposed remuneration at **Commonwealth Bank** triggering a 'first strike' under Australia's 'two-strikes' law. The Board had proposed increasing CEO pay by 50% despite a series of scandals involving its life insurance business
- In addition to the long list of fines handed down to **JP Morgan** a penalty of \$264m can be added for bribery and corruption in China where it was found to be hiring the relatives of high-ranking officials in order to win \$100bn of business

International Key Events: Quarter to 31 December 2016

- It has been reported that **Deutsche Bank** is to begin 'clawback' procedures for several former executives by cancelling as yet unvested bonus awards for six executives, notably former Chief Executive Josef Ackermann
- US conglomerate, **Tyson Foods**, has announced the retirement of CEO, Donnie Smith, who will collect around \$24m as part of his severance package in addition to remaining a consultant with an annual fee of \$2.3m
- Controversy continues at auto conglomerate **Renault-Nissan** following the Board's decision to ignore a shareholder vote rejecting executive remuneration. Following Nissan's \$2.3bn capital injection into Mitsubishi Motors, the Board has announced it will seek to triple the pay of its Board after which Renault-Nissan CEO, Carlos Ghosn, will join the Board. The tripling of pay is said to be linked to his being groomed to become Chair of Mitsubishi, thereby drawing a third salary in addition to the \$18m he was paid last year at Renault
- The Dutch corporate governance monitoring committee has published a **revised Code** replacing its 2008 version. A key change introduced 'culture' as a component of effective governance reflecting on short-termism as responsible for recent misconduct scandals; long-term value creation is now stipulated as a core component of strong corporate governance
- The proposed **EU Shareholder Directive** will provide a binding vote on pay at least every four years; at present only 13 of the EU's 28 members allows a binding vote on remuneration

International Proxy Voting: Quarter to 31 December 2016

	For	Oppose	Abstain	Total
Resolutions	98	21	1	120
%	82	17	1	100
Meetings				21
Shareblocking				-

Meeting Region	No.
Europe ¹	2
USA/Canada	2
HK/Singapore	9
Japan	-
Asia – Other ³	2
Australia/NZ	1
Emerging ²	5
Total	21

Reason for Action	Oppose	Abstain
Executive Compensation	2	-
Board Balance (Directors)	12	-
Shareholder Capital Issues	-	-
Other	7	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
Anhui Tianda Oil Pipe Co. Ltd.	07.10.16	5	Elect Mr P Braquehais	Beneficial owner on Audit Committee; independence
		7	Elect Mr J-P Michel	Supervisor is not independent; poor independence
Global Yellow Pages Limited	28.10.16	2	Elect Mr T Han	Overall lack of Board independence; poor governance
		3	Elect Mr A Chuan	Non-independent Chair of Audit Committee
PetroChina Co. Ltd.	20.10.16	2	Elect Mr Z Jianhua	Non-independent NED; Board insufficiently independent
Samsung Electronics	27.10.16	2	Elect Mr L Yong	Non-independent NED; Board insufficiently independent
Amiad Water Systems Limited	03.11.16	4	Indemnification of CEO	Not in shareholders interests
Digital Globe Services Limited.	18.11.16	1	Report & Accounts	No auditor report included in Annual Accounts
		3	Elect Mr M Khaishgi	Beneficial owner on Audit Committee; no fees disclosed
		4	Appoint Auditor & Set Fees	Failure to disclose fees; no audit report published
Pernod Ricard	17.11.16	11	Elect Mr P Pringuet	Non-independent NED; Board insufficiently independent
		18	Remuneration of CEO & Chair	Remuneration is excessive in aggregate
Cisco Systems Inc.	12.12.16	1	Elect Ms C Barnes	Non-independent NED; Chair Governance Committee
		6	Elect Mr J Hennessy	Connected director on Nomination Committee
		8	Elect Mr R Mc Geary	Non-independent NED; Insufficient Board independence
		11	Elect Mr S West	Non-independent NED; Chair Audit Committee
		13	Ratify Auditor	No change of auditor for 20 years; no proposal to
		15	Shareholder Proposal – Israel	Shareholder proposal not in shareholder interests
		16	Shareholder Proposal - Israel	Shareholder proposal not in shareholder interests

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

Oppose Votes

Company	Date		Resolution	Reason
Dolphin Capital Investors	19.12.16	1	Continuation of Investment Trust	Board recommendation to wind-up in present form
Monsanto Co. Inc.	13.12.16	2	Advisory on Golden Parachutes	Proposed pay off compensation is grossly excessive

Abstain Votes

Company	Date		Resolution	Reason
Cisco Systems Inc.	12.12.16	14	Shareholder Proposal - lobbying	Shareholder proposal has merit; disclosures in place

The following votes were registered in support of management

Company	Country	Date	Resolutions	Action
Anhui Tianda Oil Pipe Co. Ltd.	Hong Kong	07.10.16	2	For All Resolutions
Comba Telecom Systems Holdings	Hong Kong	11.10.16	1	For Resolution
Global Yellow Pages Limited	Singapore	28.10.16	1	For Resolution
Phoenix Group Holdings	Cayman Islands	24.10.16	2	For All Resolutions
Telstra Corporation	Australia	11.10.16	5	For All Resolutions
Digital Globe Services Limited	Bermuda	28.11.16	1	For Resolution
Huaneng Power International Inc.	China	30.11.16	1	For Resolution
Noble Group Limited	Singapore	03.11.16	1	For Resolution
Aryzta AG	Switzerland	13.12.16	20	For All Resolutions
China Oilfield Services	China	15.12.16	4	For All Resolutions
Tenaga Nasional Bhd	Malaysia	15.12.16	15	For All Resolutions

Annual Corporate Governance Statistics

Year to 31 December 2016

PROFIT WITH PRINCIPLES



UK Proxy Voting: Year to 31 December 2016

	For	Oppose	Abstain	Total		
Resolutions	3,547	196	33	3,776	Equity	Fixed
%	94	5	1	100	260	5
Meetings				265		

Reason for Action	Oppose	Abstain
Remuneration Report	77	14
Board Balance (Directors)	55	1
Individual Incentive Schemes	20	5
Auditors	35	11
Other	9	2

International Proxy Voting: Year to 31 December 2016

	For	Oppose	Abstain	Total
Resolutions	1,983	352	31	2,366
%	84	15	1	100
Meetings				209
Shareblocking				4

Meeting Region	No.
Europe ¹	81
USA/Canada	40
HK/Singapore	61
Japan	7
Asia – Other ³	8
Australia/NZ	2
Emerging ²	10
Total	209

Reason for Action	Oppose	Abstain
Executive Compensation	66	4
Board Balance (Directors)	144	13
Shareholder Capital Issues	66	1
Other	76	13

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

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