

# Asset Manager Voting Practices: In Whose Interests?

Survey of 2014's AGM season

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The research in this report was carried out between January 2015 and May 2015. During the period of analysis, the entities surveyed were consulted and asked to confirm that all information provided on them is correct.

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# Introduction

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The UK Stewardship Code states that “effective stewardship benefits companies, investors and the economy as a whole,” and highlights that “asset managers, with day-to-day responsibility for managing investments, are well positioned to influence companies’ long-term performance through stewardship.” It is important that institutional asset owners know how their asset managers are stewarding companies, so that they can ensure that this is being done in their best interests. Asset managers can exercise their stewardship responsibilities through voting or engagement, ideally used together to generate the best possible outcomes.

This publication focusses on how asset managers vote. It explains how voting by institutional investors works, discusses best practice in asset manager voting, and examines how the UK’s 33 largest asset managers voted on particularly interesting resolutions in 2014. For this analysis we have examined a set of eight ‘controversial’ votes, where more than 30% of shareholders voted against the companies’ recommendations in 2014. We have also examined four shareholder resolutions on environmental and social issues. The research reveals significant variety between managers on how they voted, and a tendency by some managers to vote in favour of company management’s recommendations when there was a case to vote against. Managers have been given the opportunity to provide detail of their rationales for votes in favour of management on the votes in the study. Our purpose is to help investors assess how their asset managers vote, and engage in dialogue with their managers about their voting decisions.

In this study we have also assessed the public disclosure by managers of their voting positions and rationales for voting decisions. The UK Stewardship Code promotes the public disclosure of asset managers’ voting records, but we found that a number of managers in the study fail to comply with this. Only a small number of managers disclose rationales for votes against management, or controversial votes with management, which hinders the ability of investors and other stakeholders to assess how managers make voting decisions and hold them to account for these. Through our examination of managers’ public disclosure of voting information we aim to increase transparency and accountability in the stewardship process and drive more thoughtful voting decisions in future AGM seasons.





## Section 1: Voting at company AGMs

## Why voting at AGMs is important

Voting is one of the valuable rights attached to holding shares in a company, and provides a key way for shareholders to exert influence over their investee companies. It is therefore very important that shareholders exercise their voting rights to ensure that their investee companies are governed in the way they deem most appropriate. In particular, trustees of pension funds and foundations need to invest and engage with companies in line with their own fiduciary duties to act in the best interests of their beneficiaries, and exercising voting rights at companies may be considered part of this duty. An example of how voting by investors can be used to ensure that companies operate in the interests of shareholders is the new voting powers over executive pay that were given to shareholders in 2012, after the financial crisis. Companies now have to hold a binding vote on the directors' remuneration policy at least every three years and an advisory vote on the directors' remuneration report every year. If this advisory vote fails to pass, the company must hold a vote on the remuneration policy the following year<sup>1</sup>. It is hoped that this increased voting power will reduce the instances of executives being awarded inappropriately large pay packages, and reduce the focus on short-term performance associated with previous pay structures.

Most institutional asset owners delegate voting decisions to their asset managers as part of the investment management process. It is important that asset owners are able to understand how their asset managers vote, and are able to hold them to account for their voting decisions.

## How voting works

Voting at company AGMs can be a complex process involving a number of different entities. Box 1 shows some of the different entities that may play a role in voting at company AGMs. The way in which investors vote at their investee companies varies between different investors, according to how they hold their shares. Institutional asset owners can hold their shares as either the registered owner or the beneficial owner. If the asset owner is the registered owner, they can vote their shares directly, or appoint their asset managers to vote on their behalf. However, in many cases institutional asset owners are not

the registered owners of shares, but the beneficial owners. In cases where the asset owner is a beneficial owner, the named owner of the shares is usually a 'nominee' account, operated by a custodian. The nominee will be listed on the share register, so the asset owner must be appointed by the nominee to vote the share. Alternatively, the nominee can appoint an asset manager or proxy voting agency to vote on behalf of the asset owner. When an asset owner, asset manager or proxy voting agency votes, it will usually be recorded by the company's registrar, which will inform the company of the result of the vote. However, the voting system for each investor will vary according to their own arrangements, and we would encourage asset owners to investigate their own arrangements in order to understand how their shares are voted.

There are a number of problems with the current voting system and, whilst this report does not attempt to provide a comprehensive critique of the system, it is worth acknowledging some of these.

One problem is the risk of votes being lost or changed due to the long chain through which votes must pass from the shareholder to the company; for example, in 2003 Unilever discovered that approximately 12.6 million votes cast by shareholders were 'lost' due to an error in the paperwork filled out by a proxy advisory firm, which resulted in these votes being rejected by the registrar<sup>2</sup>. Similarly, in 2012 Dutch asset manager Robeco discovered that a number of the votes they cast during AGM season were processed incorrectly, with 'for' votes being registered as 'against'<sup>3</sup>.

A second problem with the system is associated with the holding of shares in nominee accounts. Due to the fact that the nominee is named on the company register, beneficial owners holding shares in nominee accounts do not have automatic rights to vote shares or attend AGMs, and must rely on contractual arrangements with nominee providers to do so. Although the 2006 Companies Act gave beneficial owners the right to vote shares and attend AGMs, it did not legally oblige nominee operators to provide these rights, and some do not. ShareSoc is

<sup>1</sup> Department for Business and Innovation (2013) 'Directors' remuneration reforms. Frequently Asked Questions'

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/158048/13-727-directors-remuneration-reforms-faq.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/158048/13-727-directors-remuneration-reforms-faq.pdf)

<sup>2</sup> Millstein Center for Corporate Governance and Performance (2009) Voting Integrity: Practices for Investors and the Global Proxy Advisory Industry Policy Briefing 3. Millstein Center for Corporate Governance and Performance

<sup>3</sup> Van Esch, M. (2012) 'Audit shows flaws in the proxy-voting process' <http://www.robeco.com/en/professionals/insights/sustainability-investing/insights/2012/audit-shows-flaws-in-the-proxy.jsp> Accessed 13.02.15

### Box 1: Entities that may play a part when voting shares

**Registered owner:** The person or organisation registered as the owner of that share on the share register.

**Beneficial owner:** The entity that enjoys the benefits and risks of share ownership, due to ultimately having paid for the share, but may not be the registered owner of the shares.

**Issuer:** The company that issues shares.

**Share register:** A list of active owners of a company's shares.

**Registrar:** An entity which keeps a share register. They usually run AGMs for companies, which includes registering and counting shareholder votes.

**Custodian:** An entity that keeps records of shares held on behalf of investors, and often acts as a middleman between investors and stockbrokers in share transactions. They offer nominee accounts for shares to be held in.

**Sub-custodian:** A second custodian, which operates in the country where the shares are issued. The main custodian will agree with the sub-custodian which powers are devolved to them.

**Nominee:** The name which is registered on behalf of a beneficial owner, either a person or corporation. A single nominee account will often hold the shares of multiple investors.

**Proxy voting agency:** This is an organisation which manages the voting administration for a shareholder because they have expertise in voting, more so than asset managers.

**Proxy adviser:** Provides recommendations to investors on how to vote.

currently running a campaign to improve the rights of investors which use nominee accounts, including anyone with an ISA fund. More information can be found on their website<sup>4</sup>.

### Voting at AGMs in the UK

Publicly listed companies are legally obliged to hold AGMs at which their shareholders can vote on a number of resolutions. The votes which are commonly voted on at companies' AGMs include 'to receive the reports and accounts', 'to declare a dividend', 'election/re-election of directors', 're-election of auditors and fixing their remuneration', 'to approve the directors' remuneration report', 'authority to allot shares and authority to allot shares on a non pre-emptive basis', 'purchase of own shares by company', 'donations to political organisations' and 'reduced notice of annual general meeting'<sup>5</sup>. The majority of resolutions are binding, meaning that companies have to implement them, although some are advisory, meaning that companies merely have to consider them. If investors in a company feel strongly about a

particular issue they can file a shareholder resolution on it; however doing so requires a lot of coordination with other shareholders to fulfil the necessary requirements, and may prove difficult. Instead, investors sometimes signal disapproval of company activities by voting against resolutions that a company has already put on their ballot.

### Voting by asset managers

Asset managers should have robust and effective voting practices in order to act in the best interests of their clients. It is also important that asset managers' voting activity is transparent so that their clients, prospective clients, and other stakeholders can hold them to account for their voting decisions. We consider good practice for asset manager voting and disclosure to be that:

- Decisions are informed by research and client views and not overly influenced by company management;
- Voting positions are publicly disclosed;
- Voting positions are disclosed soon after or before AGMs.

More detail is given below.

<sup>4</sup> <http://www.sharesoc.org/shareholder-rights.html>

<sup>5</sup> ShareSoc (2015) 'Voting at general meetings' <http://www.sharesoc.org/voting%20at%20general%20meetings.html> accessed 06.04.15

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**Decisions should be informed by research and client views and not overly influenced by company management:**

We consider it good practice for asset managers to allow clients to direct votes on their shares when they wish to do so. Whilst few asset owners have the capacity or expertise to analyse and make a decision on each resolution, asset owners could direct voting decisions by developing their own voting policy and ask asset managers to adhere to it, and/or reserve the right to make voting decisions on particular topics. The Association of Member Nominated Trustees (AMNT) is in the process of developing a set of 'red line' voting instructions for companies' Environmental, Social and Governance practices which its members may ask their asset managers to abide by<sup>6</sup>. If asset managers do not vote in line with the 'red line' instructions, they will have to provide an explanation of their reasoning to their clients.

For votes with no specific client direction, we would still expect to see asset managers voting to support their clients' interests. Asset managers should have a voting policy, detailing the positions they will normally take in particular circumstances, as this will enable asset owners to understand how their managers vote and hold their managers to account for individual votes. We would expect asset managers' voting policies to explain their approach on all aspects of the Corporate Governance Code (see Box 2) and include detail on how they will incorporate environmental and social factors in to voting decisions. We would normally expect asset managers to engage with a company when they are considering voting against company management, to explain their reasoning and seek change in company policy.

**Public disclosure of voting positions:** We encourage asset managers to publicly disclose their voting positions for all individual resolutions where they were able to vote, and rationales for votes against management and

'controversial' votes that are cast with management, as this allows asset owners and other stakeholders to hold asset managers to account for their decisions. The FRC Stewardship Code (see Box 2) recognises the benefits of public disclosure of voting records and asks asset managers to publicly disclose their voting record and voting policy. However, the Code is operated on a 'comply or explain' basis, which means asset managers are not obliged to disclose their votes, and many managers that claim to comply with the Code do not disclose their voting records. Whilst we recognise the need for asset managers to respect clients' privacy and keep voting decisions directed by individual clients confidential, we would expect to see asset managers publicly disclosing their 'house' or 'fund' position on votes. Publicly disclosing votes and the rationales behind them can help to increase pressure on companies to address investors' concerns by raising awareness of the issue. Public disclosure of voting positions will also help to drive performance in the industry by allowing investors to compare their asset manager's voting record to other managers' voting records.

**Disclosure of voting decisions soon after, or before, AGMs:**

It is important that asset managers disclose their voting decisions in a timely manner, as delaying the disclosure of their voting decisions until months after an AGM limits the impact of their decision on company management, and hinders clients in assessing how asset managers are operating on their behalf. In fact, ideal practice would be for managers to disclose how they intend to vote before certain key AGMs, as this could open up collaborative voting with other investors and spark a dialogue with companies. The Norwegian Government Pension Fund has started doing this in AGM season 2015<sup>7</sup> and we would encourage other investors to do the same.

<sup>6</sup> Association of Member Nominated Trustees. Press Release: Trustees announce new approach to shareholder voting [http://amnt.org/wp-content/uploads/2015/05/RLVI\\_AMNT-press-release.pdf](http://amnt.org/wp-content/uploads/2015/05/RLVI_AMNT-press-release.pdf)

<sup>7</sup> Jessica Morris (2015) 'Norway's oil fund starts showing how it votes at shareholder meetings' City A.M. <http://www.cityam.com/213752/norway-oil-fund-starting-show-how-it-votes-shareholder-meetings>



## Box 2: UK Corporate Governance and Stewardship Codes

**Corporate Governance Code:** The UK Corporate Governance Code “sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders” for UK companies with a Premium Listing\* of equity shares. Companies must report on how they have applied the main principles of the Code and confirm that they have applied the Code’s specific provisions or explained why they have not. Of particular relevance to this piece is Principle D.1 on the level of remuneration which states “Executive directors’ remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.” We would expect managers to encourage investee companies to comply with the Code through engagement and voting.

**Stewardship Code:** The UK Stewardship Code “aims to enhance the quality of engagement between asset managers and companies to help improve long-term risk-adjusted returns to shareholders”. All UK authorised asset managers are required to disclose on their website (or in another accessible form) a statement setting out the nature of their commitment to the Stewardship Code or to explain how it addresses

stewardship in an alternative investment strategy. The UK Stewardship Code sets out 7 principles of effective stewardship by investors, which say they should:

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. Monitor their investee companies.
4. Establish clear guidelines on when and how they will escalate their stewardship activities.
5. Be willing to act collectively with other investors where appropriate.
6. Have a clear policy on voting and disclosure of voting activity.
7. Report periodically on their stewardship and voting activities.

In their statement of compliance, asset managers may state that they comply with all aspects of the Stewardship Code or provide an explanation of why this is not appropriate. However, the FCA encourages UK asset managers to comply with all aspects of the Stewardship Code unless they have appropriate alternative arrangements.

\* A Premium Listing is only available to equity shares issued by trading companies and closed and open-ended investment entities. Issuers with a Premium Listing are required to meet the UK’s super-equivalent rules which are higher than the EU minimum requirements. A Premium Listing means the company is expected to meet the UK’s highest standards of regulation and corporate governance – and as a consequence may enjoy a lower cost of capital through greater transparency and through building investor confidence.” See <http://www.londonstockexchange.com/companies-and-advisors/main-market/companies/primary-and-secondary-listing/listing-categories.htm>



## Section 2: Asset managers' votes in AGM season 2014

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In order to help asset owners assess their asset managers' voting practices, we conducted an analysis of how the UK's 33 largest asset managers<sup>8</sup> voted at AGMs in 2014. For this analysis, we identified a number of resolutions where it appears that there was a case for voting against company management and assessed how these asset managers voted and their reasons for their voting decisions. Whilst this analysis is limited to a small number of votes it provides a valuable insight into how these managers make voting decisions, and provides a basis for investors to engage with their managers about these decisions.

For the first part of this study we have examined eight 'controversial' votes at FTSE 100 companies. We have defined a controversial vote as a vote where the percentage of votes cast against management was greater than 30% (where this could not be attributed solely to one major shareholder). We believe that a high level of votes against management indicates that many investors saw there to be a strong case for voting against management's recommendation. We have chosen to focus on votes relating to the board and remuneration as we feel that these are most relevant to an investor concerned by the wider impacts of voting decisions.

The eight resolutions we have examined are listed below. The reasons which were cited for voting against company management, drawn from a variety of asset managers, are also indicated.

<sup>8</sup> For this report, we surveyed the same managers as were included in ShareAction's 2015 report 'Responsible Investment Performance of UK Asset Managers'. These managers were selected based on data from the P&I/Towers Watson list of the world's 500 largest money managers and the IMA's data on total retail and institutional funds under management in the UK from April 2014. For further details, please refer to our previous report.

| Company            | Vote                                  | Management recommendation | % votes against management | Case for voting against management  |
|--------------------|---------------------------------------|---------------------------|----------------------------|---|
| AstraZeneca        | Re-election of Jean-Philippe Courtois | For                       | 43.03% of votes cast       | Jean-Philippe Courtois failed to attend 4 out of 11 board meetings and missed an audit committee meeting, which investors felt impeded his ability to perform his duties  |
| AstraZeneca        | Approve remuneration report           | For                       | 38.54% of votes cast       | Investors were concerned that executive pay was excessive, particularly that of the outgoing CFO, and that bonus payments, including the 'golden hello' awarded to the incoming CFO, were not justified.                      |
| BG Group           | Approve remuneration report           | For                       | 32.79% of votes cast       | Investors were concerned that pay levels were excessive and did not reflect company performance. Investors were also concerned about the potential rewards to executives without improvements in performance.                 |
| Burberry           | Approve remuneration report           | For                       | 52.68% of votes cast       | Investors were concerned by high levels of overall pay, and in particular discretionary payments made to the incoming CEO.  |
| Carnival           | Approve remuneration report           | For                       | 41.42% of votes cast       | Investors were concerned that high payments were not linked to performance, and concerned by bonus payments made to the outgoing and incoming CEOs. There were also concerns about poor disclosure of rationale for payments. |
| Carnival           | Approve remuneration policy           | For                       | 38.10% of votes cast       | Investors were concerned that the remuneration policy did not sufficiently link pay to performance and allowed inappropriate discretionary payments. There were also concerns about the claw-back policy.                     |
| Reckitt Benckiser  | Approve remuneration report           | For                       | 31.46% of votes cast       | Investors were concerned by excessive bonuses for executives, which were not retrospectively disclosed in sufficient detail. There were also concerns about non-independent non-executives on the remuneration committee.     |
| Standard Chartered | Approve remuneration policy           | For                       | 40.83% of votes cast       | Investors were concerned that that pay package was excessive and weighted towards short-term performance.   |

In addition to the eight controversial management resolutions, we have examined four resolutions put on the ballot by shareholders, three on environmental matters at Dow 30 companies where votes against management were greater than 20%, and a shareholder resolution at

National Express. We have chosen to include the shareholder resolution at National Express in the study, even though the level of dissent was lower, as this was the only shareholder resolution in the UK in 2014 and a rare example of a vote on a social issue.

| Company          | Vote  | Management recommendation | % votes against management (votes against resolution) | Case for voting against management   |
|------------------|---|---------------------------|---|--|
| Chevron          | Report on hydraulic fracturing impacts  | Against                   | 26.6% of votes cast                                   | The resolution asked for Chevron to report annually to shareholders on the results of their policies and practices to minimise the adverse water resource and community impacts associated with hydraulic fracturing operations. Shareholders supported this because it would allow shareholders to better assess how Chevron is managing potential risks, and because they felt that the company's reporting lacked quantitative performance indicators and goals.  |
| Chevron          | Require director nominee with environmental expertise   | Against                   | 21.4% of votes cast                                   | The resolution called for Chevron to recommend at least one candidate to the board who, as well as being independent, had significant expertise in environmental matters. Shareholders supported this resolution as they believed environmental expertise was strategically important, particularly considering the high-level environmental controversies Chevron is involved in, and it would support Chevron's desire to gain board members with environmental expertise.   |
| ExxonMobil       | Introduce quantitative goals for reducing Greenhouse Gas (GHG) emissions  | Against                   | 22.0% of votes cast                                   | The resolution called for ExxonMobil to adopt quantitative goals to reduce their Greenhouse Gas emissions. Shareholders supported this on the basis that disclosure of this would allow shareholders to better assess the company's performance and management of these issues, and because they believe that climate change poses a risk to shareholder value, so ExxonMobil's goals for reducing GHG emissions should be developed and disclosed.  |
| National Express | Broaden the Remit of the Safety and Environment Committee to Cover Corporate Responsibility and Particularly the Group's Human Capital Strategy | Against                   | 12.83% of votes cast                                  | The resolution called for National Express to expand the remit of its Safety and Environment Committee in order to improve the company's oversight on the treatment of workers and introduce an enforceable human rights policy. It was in response to long-standing union activity by school bus drivers in the US, and called on the company to 'address systemic and longstanding issues with how the company treats its workers in North America'. Investors supported this because they felt that the company did not have sufficiently robust policies or practices in place to manage labour relations. |

We have analysed how the UK's 33 largest asset managers voted on the resolutions listed above, shown in the tables below. The managers have been arranged according to the number of votes where they voted with company management's recommendations, from the least to the most. We have counted abstentions, votes where

the asset manager split their votes at a company between for and against, and votes where it is unclear how, or if, the manager voted as a half. In cases where asset managers voted with management on the same number of resolutions, they have been arranged alphabetically.



Table: Votes on company resolutions

| Asset Manager                         | AstraZeneca:<br>Re-election of<br>Jean-Philippe<br>Courtois | AstraZeneca:<br>Approve<br>remuneration<br>report | BG Group:<br>Approve<br>remuneration<br>report | Burberry:<br>Approve<br>remuneration<br>report | Carnival:<br>Approve<br>remuneration<br>report | Carnival:<br>Approve<br>remuneration<br>policy | Reckitt Benckiser:<br>Approve<br>remuneration<br>report | Standard Chartered:<br>Approve<br>remuneration<br>policy |
|---------------------------------------|---|---|--|--|--|--|---|--|
| Threadneedle Asset Management         | Against   | Against   | Against  | Not held                                       | Against  | Against  | Against   | Against  |
| AB                                    | Against   | Against   | Against  | Against  | Against  | Against  | Abstain   | Against  |
| Aviva Investors                       | Against   | Against   | Abstain  | Against  | Against  | Against  | Against   | Against  |
| Goldman Sachs Asset Management        | Against   | Against   | Against  | Against  | Against  | Against  | Abstain   | Against  |
| Baillie Gifford and Co.               | Not held  | Not held  | Against  | Against  | Against  | Against  | For   | Against  |
| F&C Investments                       | Against   | Against   | For  | Against  | Against  | Against  | Against   | Against  |
| First State Investments               | Not held  | Not held  | Not held                                       | For  | Not held                                       | Not held                                       | Not held  | Against  |
| Royal London Asset Management         | For   | Against   | Against  | Against  | Against  | Against  | Against   | Against  |
| Jupiter Asset Management              | For   | Against   | Against  | Against  | Against  | Against  | Abstain   | Against  |
| JP Morgan Asset Management            | Against   | Against   | For  |  | Against  | Against  | Abstain   | Against  |
| Kames Capital                         | For   | Against   | For  | Not held                                       | Not held                                       | Not held                                       | Against   | Against  |
| Morgan Stanley Investment Management  | Against   | For   | Against  | For  | Against  | Against  | Against   | Against  |
| Newton Investment Management          | For   | Against   | Against  | Not held                                       | Not held                                       | Not held                                       | Against   | For  |
| AXA Investment Managers               | For   | Against   | For  | Against  | Against  | Against  | Abstain   | Against  |
| Henderson Global Investors            | For   | Against   | Against  | For  | Against  | Against  | Against   | Abstain  |
| Investec Asset Management             | Against   | Abstain   | Abstain  | Abstain  | Against  | Against  | For   | Against  |
| Standard Life Investments             | For   | Against   | Against  | Against  | Against  | Against  | For   | For  |
| State Street Global Advisors          | Against   | Against   | For  | For  | Against  | Against  | Against   | For  |
| UBS Global Asset Management           | For   | Against   | For  | Against  | Against  | Against  | For   | Against  |
| Fidelity Worldwide Investment         | For   | Against   | For  |  | Against  | Against  | For   | Against  |
| Legal & General Investment Management | For   | For   | For  | Against  | Against  | Against  | For   | Against  |
| Aberdeen Asset Management             | For   | For   | For  | Against  | Against  | Against  | For   | For  |
| BlackRock                             | For   | For   | For  | For  | Against  | Against  | For   | Against  |
| HSBC Global Asset Management          | For   | For   | For  | Against  | Against  | Against  | For   | For  |
| Schroders Investment Management       | For   | Against   | For  | Against  | Against  | For  | For   | For  |
| Hermes Investment Management          | For   | For   | For  | For  | Against  | Against  | For   | For  |
| M&G Investment Management             | For   | For   | For  | For  | Against  | Against  | For   | For  |
| Artemis Investment Management         |   |   |  |  |  |  |   |  |
| Capital International                 |   |   |  |  |  |  |   |  |
| Invesco Perpetual                     |   |   |  |  |  |  |   |  |
| J O Hambro Capital Management         |   |   |  |  |  |  |   |  |
| Santander Asset Management            |   |   |  |  |  |  |   |  |
| Wellington Management                 |   |   |  |  |  |  |   |  |

Key:

Green indicates a vote against management's recommendation

Red indicates a vote in favour of management's recommendation

Orange indicates an abstention on the vote

White: indicates that the manager confirmed that they did not hold the company

Grey indicates that, due to how the voting record is presented, it is not possible to determine whether the manager held the company but did not choose to vote, held the company and voted but did not disclose the vote, or did not hold the company.

Black indicates that the voting position is undisclosed.

Table: Votes on shareholder resolutions

| Asset Manager                         | Chevron: Report on hydraulic fracturing impacts | Chevron: Require director nominee with environmental expertise | ExxonMobil: Introduce quantitative goals for reducing GHG emissions | National Express: Broaden the Remit of the Safety and Environment Committee to Cover Corporate Responsibility and Particularly the Group's Human Capital Strategy |
|---------------------------------------|---|--|---|---|
| Aviva Investors                       | For   | For  | For   | For   |
| Kames Capital                         | Not held  | Not held   | Not held  | Not held  |
| Threadneedle Asset Management         | For   | For  | For   | For   |
| Royal London Asset Management         | For   | For  | For   | Abstain   |
| AB                                    | For   | For  | For   | Against   |
| AXA Investment Managers               | For   | For  | For   | Against   |
| Baillie Gifford and Co.               | Not held  | Not held   | Against   | Not held  |
| F&C Investments                       | For   | For  | For   | Against   |
| Goldman Sachs Asset Management        | For   | For  | For   | Against   |
| Henderson Global Investors            | For   | For  | For   | Against   |
| Jupiter Asset Management              | For   | For  | For   | Against   |
| Newton Investment Management          | Not held  | Not held   | Not held  | Against   |
| Schroders Investment Management       | For   | For  | For   | Against   |
| Standard Life Investments             | For   | For  | For   | Against   |
| Hermes Investment Management          | Against   | For/Against  | For/Against   | For   |
| HSBC Global Asset Management          | For   | Against  | For   | Against   |
| Morgan Stanley Investment Management  | For   | Against  | Against   | Not held  |
| Fidelity Worldwide Investment         | Against   | Against  | Against   | Not held  |
| First State Investments               | Against   | Against  | Against   | Not held  |
| Legal & General Investment Management | Against   | Against  | Against   | For   |
| M&G Investment Management             | Against   | Against  | Not held  | Against   |
| State Street Global Advisors          | Against   | Against  | Abstain   | Abstain   |
| BlackRock                             | Against   | Against  | Against   |   |
| Aberdeen Asset Management             | Against   | Against  | Against   | Against   |
| Investec Asset Management             | Against   | Against  | Against   | Against   |
| JP Morgan Asset Management            | Against   | Against  | Against   | Against   |
| UBS Global Asset Management           | Against   | Against  | Against   | Against   |
| Artemis Investment Management         |   |  |   |   |
| Capital International                 |   |  |   |   |
| Invesco Perpetual                     |   |  |   |   |
| J O Hambro Capital Management         |   |  |   |   |
| Santander Asset Management            |   |  |   |   |
| Wellington Management                 |   |  |   |   |

Key:

Green indicates a vote against management's recommendation

Red indicates a vote in favour of management's recommendation

Orange indicates an abstention on the vote

White: indicates that the manager confirmed that they did not hold the company






Grey indicates that, due to how the voting record is presented, it is not possible to determine whether the manager held the company but did not choose to vote, held the company and voted but did not disclose the vote, or did not hold the company.

Black indicates that the voting position is undisclosed.

## Vote on 'renew the authority to allot shares' at Meggitt

In addition to the votes listed above, we have examined how the managers voted on two further votes. The first is on the resolution at Meggitt to 'renew the authority to allot shares', which received a 34.90% vote against management. We have excluded this from the table







above as we have chosen to focus on votes pertaining to directors and remuneration, however it also received more than 30% vote against management's recommendation in 2014, so it is worth examining how shareholders voted.

| Company   | Vote                                 | Management recommendation   | % against management | Case for voting against management  |
|---|--------------------------------------|---|----------------------|---|
| Meggitt   | Renew the authority to allot shares  | For   | 34.90% of votes cast | Investors were concerned that this resolution removed the requirement for Meggitt to seek approval for significant rights issues. |
|   |                                      |   |                      |   |
| <b>Voting position</b>  |                                      | <b>Asset manager</b>  |                      |   |
|  | Voted against                        | Baillie Gifford and Co.   |                      |   |
|  | Voted in favour                      | AB, Aberdeen Asset Management, Aviva Investors, AXA Investment Management, BlackRock, F&C Investments, Goldman Sachs Asset Management, Henderson Global Investors, Hermes Investment Management, HSBC Global Asset Management, Jupiter Asset Management, Kames Capital, Legal and General Investment Management, M&G Investment Management, Morgan Stanley Investment Management, Newton Investment Management, Royal London Asset Management, Schroders Investment Management, Standard Life Investments, State Street Global Advisors, Threadneedle Asset Management, UBS Global Asset Management |                      |   |
|  | Voted abstain                        |   |                      |   |
|  | Did not hold                         | Fidelity Worldwide Investment, First State Investments, Investec Asset Management, JP Morgan Asset Management,  |                      |   |
|  | Voting record not publicly disclosed | Artemis Investment Management, Capital International, Invesco Perpetual, JO Hambro Capital Management, Santander Asset Management, Wellington Management  |                      |   |

## Vote on Barclays' remuneration report, 2014

The second vote we have assessed is how these managers voted on Barclays' remuneration report in 2014. Whilst the level of dissent was lower, with only 23.99% of shareholders voting against management, we feel that it is important that asset owners are able to

assess how their managers are influencing UK banks, considering the wider societal impacts of banks' activities. Detail on the vote on Barclays' remuneration report is shown below.

| Company   | Vote                                     | Management recommendation   | % against management | Case for voting against management   |
|---|--|---|----------------------|--|
| Barclays  | Approve remuneration report              | For   | 23.99% of votes cast | Investors were concerned that bonus payments and incentive pay were not justified by performance, as the bonus pool increased whilst shareholder returns did not and appropriate performance conditions were not attached to deferred bonuses or pay packages. |
| Voting position   |  | Asset manager   |                      |  |
|  | Voted against                            | AXA Investment Managers, F&C, Henderson Global Investors, Jupiter Asset Management, Legal and General Investment Management, Newton Investment Management, Royal London Asset Management, Standard Life Investments, Threadneedle.  |                      |  |
|  | Voted in favour                          | AB, Aberdeen Asset Management, Aviva Investors, BlackRock, Fidelity Worldwide Investment, Hermes Investment Management, HSBC Global Asset Management, JP Morgan Asset Management, Kames Capital, M&G Investment Management, Morgan Stanley Investment Management, State Street Global Advisors, UBS Global Asset Management |                      |  |
|  | Voted abstain                            | Goldman Sachs Asset Management, Investec Asset Management   |                      |  |
|  | Did not hold:                            | Baillie Gifford and Co., First State Investments  |                      |  |
|  | Split their vote between for and against | Schroders Investment Management   |                      |  |
|  | Voting record not publicly disclosed     | Artemis Investment Management, Capital International, Invesco Perpetual, JO Hambro Capital Management, Santander Asset Management, Wellington Management  |                      |  |

**Table: Disclosure of voting positions and rationales**

In addition to assessing how the 33 asset managers voted, we have also assessed the disclosure of their voting positions and rationales. The table below indicates whether managers usually disclose their voting positions and rationales and includes detail on the level

of disclosure. Dark green indicates that we consider the disclosure to be good practice, light green that disclosure is good but could be improved, and red that disclosure could be significantly improved.

| Asset Manager                         | Voting position for individual votes publicly disclosed? | Voting rationales publicly disclosed?                         |
|---------------------------------------|--|---|
| Aviva Investors                       | Yes  | Votes against management, abstentions and controversial votes |
| F&C Investments                       | Yes  | Votes against management, abstentions and controversial votes |
| Newton Investment Management          | Yes  | Votes against management, abstentions and controversial votes |
| Royal London Asset Management         | Yes  | Votes against management, abstentions and controversial votes |
| Standard Life Investments             | Yes  | Votes against management, abstentions and controversial votes |
| AXA Investment Managers               | Yes  | votes against management and abstentions                      |
| Hermes Investment Management          | Yes  | votes against management                                      |
| UBS Global Asset Management           | Yes  | votes against management                                      |
| Kames Capital                         | Yes - Last quarter only                                  | votes against management and abstentions                      |
| AB                                    | Yes  | No  |
| Aberdeen Asset Management             | Yes  | No  |
| Baillie Gifford and Co.               | Yes  | No  |
| BlackRock                             | Yes  | No  |
| Fidelity Worldwide Investment         | Yes  | No  |
| First State Investments               | Yes  | No  |
| Goldman Sachs Asset Management        | Yes  | No  |
| Henderson Global Investors            | Yes  | No  |
| HSBC Global Asset Management          | Yes  | No  |
| Investec Asset Management             | Yes  | No  |
| Jupiter Asset Management              | Yes  | No  |
| Legal & General Investment Management | Yes  | No  |
| M&G Investment Management             | Yes  | No  |
| Morgan Stanley Investment Management  | Yes  | No  |
| Schroders Investment Management       | Yes  | No  |
| State Street Global Advisors          | Yes  | No  |
| Threadneedle Asset Management         | Yes  | No  |
| JP Morgan Asset Management            | Yes - Last 6 months only                                 | No  |
| Artemis Investment Management         | No   | No  |
| Capital International                 | No   | No  |
| Invesco Perpetual                     | No   | No  |
| J O Hambro Capital Management         | No   | No  |
| Santander Asset Management            | No   | No  |
| Wellington Management                 | No   | No  |



# Conclusion

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This research reveals significant variation in the voting decisions and disclosure of the UK's 33 largest asset managers. Variation in voting decisions is to be expected, as different managers will have different priorities, and operate in different ways according to their clients' needs and their investment style. However, we find that a number of asset managers consistently support company management's recommendations when voting, despite apparent problems with the proposed resolution.

This study also demonstrates the huge variance between managers in disclosure of their voting positions. Out of the 33 managers included in the study, six disclose no information publicly on their voting positions on individual resolutions. All 33 are signed up to the Stewardship Code, which recommends that asset managers do publicly disclose their voting records and it is disappointing that there is such a significant level of noncompliance with one of its most basic principles. This indicates that action is needed to require managers to publicly disclose their voting records, and ShareAction would encourage policy makers and regulators to implement mandatory disclosure of voting positions on individual resolutions by large institutional investors. We would also encourage regulators to ensure that disclosures are meaningful and useful to those receiving the information.

During this study, we also found significant variety in the frequency and format in which asset managers disclose their votes. For example, some disclose quarterly reports whilst others helpfully disclose their votes on searchable websites. The variety in disclosure can make it difficult to locate records and compare them, and it would therefore be a step forward if there were a standard reporting format for disclosing voting records. This would also help to drive performance and efficiency in the fund market. The lack of standardisation in voting disclosure can also make voting records difficult to interpret. For example, the majority of voting records only disclose AGMs where managers voted, meaning that if an AGM is absent from a voting record it is impossible to tell whether the manager in question did not hold that particular company, held the company but did not vote, or voted at the company but has chosen not to disclose that particular vote. It would be useful for all managers to disclose a full list of AGMs and resolutions where they were able to vote, and indicate at which ones they did not vote, or cannot disclose a vote, including the reasons for this. Similarly,

although we have not examined the timing of disclosure of voting records for this study, we have noted significant variation in this. It would again be useful for the timing of disclosure to be standardised by regulators, preferably within two weeks of an AGM.

We also find variation in the public disclosure of rationales for voting decisions. Some managers publicly disclose rationales for votes against management and controversial votes for management, whilst others only disclose their rationales for voting against management, and many do not disclose rationales at all. 24 of the 33 managers included in this study did not disclose any information on their voting rationales, and the level of disclosure of the remaining nine varied significantly. There is room for significant improvement in the disclosure of voting rationales by asset managers and this is critical to achieving real accountability by an industry that invests other people's money. Many managers stated that they do not publicly disclose their voting rationales because it hinders their engagement with companies. We find this unconvincing. Public disclosure of rationales does not need to be at a level that it might affect a relationship with a company, and many asset managers already provide this information. Disclosing the rationale for a vote can help to raise issues with other managers and investors, and generally foster collaboration between managers who may wish to be active on similar issues. The disclosure by managers of their rationales for voting decisions is perhaps the area where the most significant improvements are needed.

Overall, there is room for improvement in the voting practices and disclosure of the majority of the UK's largest asset managers. There is a role for regulators, clients and asset managers in driving these improvements.

The Financial Reporting Council (FRC) and Financial Conduct Authority (FCA) could do more to ensure that managers comply with the Stewardship Code in respect of disclosure of voting records, and make less use of their right to explain. It is clear that current regulation is not leading to the level of disclosure that is desirable in the market. We suggest that the Stewardship Code needs to be revisited in light of these failings and that some mechanism is needed to prevent managers claiming to comply with the Code when they do not. It would also be useful for regulators to issue guidance on standardisation

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of voting disclosure, so that it is easier for clients to understand voting records and hold managers to account for the voting decisions made on their behalf.

Clients can also drive positive change by showing an interest in voting, and requesting to see the rationales for votes against management and for votes with management where a company suffered a high level of dissent. Some managers also stated that they do not publicly disclose voting records as they disclose them to clients, so it would be useful if clients were to encourage asset managers to publicly disclose voting records, highlighting the benefits to clients of the resulting drive in performance across the market.

We were encouraged by the number of managers who were eager to participate in this study and see its results. We see a role for asset managers to encourage regulators to produce guidelines on standard practice for voting practices and disclosure, and provide input on these, in order to make it clearer what is expected of managers. We recommend that managers work together to develop standards which are appropriate for the whole industry and will benefit managers, clients and the wider public.

# An analysis of the voting practices of each asset manager

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On the following pages information is provided about each asset manager's public disclosure of their voting positions. We have focussed on asset managers' public disclosure of voting records, rather than their disclosure to clients, as we feel that this is important for increasing accountability and driving performance, and is encouraged by the Stewardship Code.

Suggested questions are also provided for investors to ask each asset managers about the major votes in the study where they voted in favour of company management's recommendation. In cases where asset managers disclosed a rationale for their votes, the questions are based on that. In the remainder of cases the questions are based on other policies or documents which may have informed the manager's decisions. We suggest that investors pay particular attention to cases where it appears that the manager's decision has contravened their own policies.

We also provide recommendations for each manager on how to improve their voting practices or disclosure. For recommendations around improving disclosure, we have recommended that a number of managers publicly disclose their rationales for "votes with management where a significant number of shareholders voted against the resolution," which for the purposes of this study we have defined as more than 30% of shareholders voting against, although we would welcome a threshold set by regulators.

# AB

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## Disclosure:

AB (AllianceBernstein) publicly disclose their voting record, but do not publicly disclose their voting rationales. However they were able to disclose rationales to us for this study.

## Votes in favour of management and abstentions:

- **National Express shareholder resolutions:** AB voted against the shareholder resolution at National Express as they “believe management is best positioned to determine the responsibilities of committees. In this instance, the company’s structure is in line with UK market practice.” Investors may wish to ask:  
**Q How they are engaging with National Express on workers’ rights issues, which was the basis of the resolution**
- **Reckitt Benckiser’s remuneration report:** AB abstained on the vote on Reckitt Benckiser’s remuneration report as “similar to previous years, annual bonus targets were not properly disclosed. However, the company has made commitments to improve disclosure going forward and its policy improved.” Investors may wish to ask:  
**Q How they will ensure that Reckitt Benckiser improves their disclosure of annual bonus targets in future years.**

## Recommendations:

- That AB publicly disclose their rationales for all votes against management, and votes with management where a significant number of shareholders voted against the resolution.

# Aberdeen Asset Management

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## Disclosure:

Aberdeen Asset Management (Aberdeen) publicly disclose their voting records, but do not publicly disclose their voting rationales. However, they were able to share details with us of the rationale behind their voting decisions on these particular resolutions.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Aberdeen chose to vote with management to re-elect Jean-Philippe Courtois to the board as their “dialogue with company gave comfort on (his) commitment to role in spite of attendance issues”. Investors may wish to ask:  
**Q What evidence was provided of Jean-Philippe Courtois’ commitment to his role on the board**
- **AstraZeneca, approval of remuneration report:** Aberdeen chose to approve AstraZeneca’s remuneration report as they “gained comfort on the unusual issues through dialogue with the company”. Investors may wish to ask:  
**Q What dialogue Aberdeen had with AstraZeneca which convinced them that the remuneration report was appropriate, considering the concerns that were held by other investors**
- **BG Group, approval of remuneration report:** Aberdeen voted for BG Group’s remuneration report because they “agree that the commercial reasons justify the unusual nature of the award in these exceptional circumstances.” Investors may wish to ask:  
**Q Why they felt that BG Group’s remuneration package was justified by the context when other shareholders felt that pay did not reflect performance or shareholder value**
- **Chevron, require director nominee with environmental expertise and report on hydraulic fracturing impacts:** Aberdeen voted with management against the shareholder resolutions at Chevron on the basis that “Chevron already provides disclosure on hydraulic fracturing activities and the proposal would be overly burdensome” and “Chevron has several directors with environmental expertise and the board is generally robust”. Investors may wish to ask:  
**Q How they assessed that Chevron’s current reporting and board arrangements were sufficient to address the issues raised in the shareholder resolutions, considering that other investors felt that further action was needed.**
- **ExxonMobil, introduce quantitative goals for reducing GHG emissions, and National Express, broaden remit of safety and environment committee:** Aberdeen voted against the shareholder resolution at ExxonMobil on the basis that “proposal seems overly burdensome and the company already makes disclosures in this regard” and against the shareholder resolution at National Express on the basis that “current division of responsibilities between Board and the Safety & Environmental Committee is in line with best practice”. Investors may wish to ask:  
**Q How they assessed that ExxonMobil and National Express’ arrangements were sufficient to address the issues raised in the shareholder resolutions, considering that other investors felt that further action was needed.**
- **Reckitt Benckiser, approval of remuneration report:** Aberdeen voted to approve Reckitt Benckiser’s remuneration report on the basis that the “company has agreed to enhance disclosure going forwards, so support warranted by direction of travel”. Investors may therefore wish to ask:  
**Q How Aberdeen will monitor Reckitt Benckiser to ensure that improvements in their remuneration policies and practices continue**
- **Standard Chartered, approval of remuneration policy:** Aberdeen voted to approve the remuneration policy at Standard Chartered on the basis that “dialogue with company gave detailed insight into the competitive context on remuneration, a major issue given its activities are conducted in markets largely outside of Europe competing against banks that are not bound by EU legislation.” Investors may wish to ask:  
**Q How they will engage with Standard Chartered to address concerns about high pay levels and short-term incentives in their remuneration policy, in a way which still allows them to be competitive at a global level**

## Recommendations:

- That Aberdeen Asset Management publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent



# Artemis Investment Management

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## Disclosure:

Artemis Investment Management does not publicly disclose its voting record, so it is not possible to assess how they voted on the resolutions in this study. On reporting, their Corporate Governance and Voting Policy statement<sup>9</sup> says “Voting activity and details where we have voted against management are included in the standard quarterly investment reports we send to our institutional clients. A summary of our voting activity is provided quarterly and is available (publicly).” They disclose summary statistics on their website, which indicate that, as an average for each quarter, they voted against management or abstained on 3.5% of resolutions in 2014. These summaries include an indication of the types of issues where they have abstained or voted against management, and some details of when they may vote against management are included in the appendix of their Corporate Governance and Voting Policy statement. Investors may wish to ask Artemis Investment Management:

- Q How Artemis Investment Management applied their voting policy to the resolutions in this study, and how they voted in each case
- Q Whether they would consider publicly disclosing their voting record in future

## Recommendations:

- That Artemis publicly disclose their voting record for at least the last year, including rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

9 <http://www.artemis.co.uk/pdf/corporate-doc/Artemis-Corporate-governance-and-voting-policy-statement-Dec-14.pdf>

# Aviva Investors

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## Disclosure:

Aviva Investors (Aviva) publicly disclose their voting record and their rationales for votes against management and abstentions, and some votes with management.

## Votes in favour of management and abstentions:

- **BG Group, approve remuneration report:** Aviva chose to abstain on approving BG Group’s remuneration report on the basis that it allowed for ‘potentially excessive remuneration’, although no further details were provided. Investors may wish to ask:
  - Q How they are engaging with BG Group about their remuneration practices to avoid excessive payments being made

## Recommendations:

- That Aviva consider publicly disclosing more information about their rationales for abstentions

# AXA Investment Management

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## Disclosure:

AXA Investment Management (AXA) publicly disclose their voting record and their rationale for votes against management. They do not publicly disclose their rationale for any votes with management, but were able to share their reasons with us for the resolutions included in this study.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** AXA stated that they voted for the re-election of Jean-Philippe Courtois “due to the value he brings to the board”. Investors may wish to ask:  
**Q** How they assessed the value that Jean-Philippe Courtois brings to the board, considering his absences from board meetings
- **BG Group, approve remuneration report:** AXA voted for BG Group’s remuneration report as they felt that “the decisions taken by the remuneration (committee) were in line with shareholder interests to recruit a finance director for the Company”. Investors may wish to ask:  
**Q** How they will ensure that the finance director fulfils performance targets, in light of other investors’ concerns that remuneration was not aligned with performance targets
- **Reckitt Benckiser, approve remuneration report:** AXA chose to abstain on Reckitt Benckiser’s remuneration report “in order to encourage the company to improve reporting on remuneration”. Investors may wish to ask:  
**Q** What action AXA will take to encourage Reckitt Benckiser to improve their remuneration practices
- **National Express, broaden remit of safety and environment committee:** AXA voted against the shareholder resolution at National Express to broaden the remit of the Safety and Environment Committee as “the Board has existing policy and practice to oversee human capital and corporate responsibility issues. In addition, the Board broadened its expertise through the appointment of a new non-executive director with relevant HR experience.” Investors may wish to ask:  
**Q** How AXA will be engaging with National Express to ensure that their existing policies adequately cover workers’ rights issues, considering concerns expressed by other investors

## Recommendations:

- That AXA publicly disclose their rationales for all votes with management where there was a significant level of shareholder dissent

# Baillie Gifford and Co.

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## Disclosure:

Baillie Gifford and Co. (Baillie Gifford) publicly disclose their voting record, but do not publicly disclose their voting rationales.

## Votes in favour of management and abstentions:

- **ExxonMobil, introduce quantitative goals for reducing GHG emissions:** On shareholder resolutions, Baillie Gifford's Global Corporate Governance Principles and Guidelines<sup>10</sup> states: "We review each resolution on a case-by-case basis and prior to voting will consider the company's current approach to the issue, its response to the resolution, whether the resolution is workable and implementable, and whether it is in the best interests of all stakeholders. When considering a company's approach to the highlighted issue, we evaluate all publicly available information and when appropriate engage with the company." Unfortunately, there does not appear to be any more detailed information on how they will vote on environmental matters. Investors may wish to ask:
  - Q How their policy was applied to the vote on the resolution at ExxonMobil
  - Q Whether they would consider disclosing a more detailed policy on how they will vote on environmental matters
- **Reckitt Benckiser, approve remuneration report:** On remuneration, Baillie Gifford's Global Corporate Governance Principles and Guidelines state "we continue to assess all remuneration policies on case-by-case basis with the expectation that they should be simple, transparent and provide appropriate pay-for-performance. We welcome the opportunity to consult with our investee companies on the construction of their executive pay plans and will support those plans which provide alignment between management and shareholders' interests." Investors may wish to ask:
  - Q What their rationale was for voting to approve Reckitt Benckiser's remuneration report, considering other investors' concerns about excessive bonus levels

## Recommendations:

- That Baillie Gifford publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent
- That Baillie Gifford publicly disclose more detail on how they consider environmental issues when making voting decisions

<sup>10</sup> [http://www.bailliegifford.com/documentgateway.aspx?\\_id=635CBCFA-A476-4548-8962-65F7943926FB](http://www.bailliegifford.com/documentgateway.aspx?_id=635CBCFA-A476-4548-8962-65F7943926FB)

# BlackRock

## Disclosure:

BlackRock publicly disclose their voting record, but do not publicly disclose their voting rationales.

Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** BlackRock's Global Corporate Governance and Engagement Principles<sup>11</sup> state that "The performance of the board is critical to the economic success of the company and to the protection of shareholders' interests. Board members serve as agents of shareholders in overseeing the strategic direction and operation of the company. For this reason, BlackRock focuses on directors in many of its engagements and sees the election of directors as one of its most important responsibilities in the proxy voting context." Although these guidelines do not make specific reference to expected attendance levels at board meetings, investors may wish to ask:  
**Q How BlackRock assessed that Jean-Philippe Courtois was fulfilling his 'critical' board responsibilities, considering concerns expressed by other investors about his lack of attendance.**
- **AstraZeneca and Burberry, approve remuneration reports:** BlackRock's Global Corporate Governance and Engagement Principles also state "BlackRock expects a company's board of directors to put in place a compensation structure that incentivizes and rewards executives appropriately and is aligned with shareholder interests, particularly long-term shareholder returns." Considering this investors may wish to ask:  
**Q How BlackRock assessed that executive pay and bonuses in the remuneration reports were aligned with shareholder interests, considering other investors' views that these were excessive.**
- **BG Group, approve remuneration report:** BlackRock's Principles also state "We encourage companies to ensure that their compensation packages incorporate appropriate and challenging performance conditions consistent with corporate strategy and market practice." Investors may wish to ask:  
**Q How BlackRock assessed that pay levels at BG Group were sufficiently linked to performance, considering concerns by other investors that pay did not reflect performance**
- **Chevron, report on impacts of hydraulic fracturing and require director nominee with environmental expertise, and ExxonMobil, adopt quantitative goals for GHG emissions reduction:** BlackRock's Principles state "We believe that well-managed companies will deal effectively with the social, ethical and environmental ("SEE") aspects of their businesses. BlackRock expects companies to identify and report on the material, business-specific SEE risks and opportunities and to explain how these are managed". They do not disclose greater detail on how they consider environmental issues in voting decisions. Investors may therefore wish to ask:  
**Q Why BlackRock chose to vote against the shareholder proposal for Chevron to report on impacts of hydraulic fracturing, considering the view of other investors that this would better allow Chevron to manage potential risks**  
**Q How BlackRock is engaging with Chevron to ensure that there is enough environmental expertise on the board to effectively deal with environmental risks**  
**Q Why BlackRock chose to vote against the shareholder resolution at ExxonMobil for them to adopt quantitative goals for GHG emissions reduction, considering the view expressed by other investors that this would allow them to better assess their performance and management of greenhouse gas emissions.**
- **Reckitt Benckiser, approve remuneration report:** BlackRock's Principles state "BlackRock believes that there should be a clear link between variable pay and company performance as reflected in returns to shareholders. We are not supportive of one-off or special bonuses unrelated to company or individual performance. We support incentive plans that pay out rewards earned over multiple and extended time periods." Investors may therefore wish to ask:  
**Q How they assessed that pay levels and bonuses outlined in Reckitt Benckiser's remuneration report were appropriate, considering concerns expressed by other investors**

## Recommendations:

- That BlackRock publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent
- That BlackRock publicly disclose more detail on how they consider environmental issues in their voting decisions, and how they assess the attendance of directors at board meetings

<sup>11</sup> <http://www.blackrock.com/corporate/en-gb/literature/fact-sheet/blk-responsible-investment-1engprinciples-global-122011.pdf>

# Capital International

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## Disclosure:

Capital International does not publicly disclose its voting record, so it has not been possible to assess how they voted on the resolutions in this study. In their response to the UK Stewardship Code<sup>12</sup> Capital International states that: “As institutional managers, we disclose our voting to the clients on whose behalf we vote. As fiduciaries, we believe this information is our clients’ property, and it is their prerogative to disclose it more publicly should they wish. Moreover, in some cases public disclosure of client proxy voting records would be restricted as confidential information under investment management agreements with our clients.” They do not publicly disclose summary statistics of how often they voted against management, but their response to the Stewardship Code also states “We will vote against management on proposals where we perceive a conflict may exist between management and shareholder interests, such as those that may be overly protective of management or diminish shareholder rights. We also vote against management in cases where the facts and circumstances indicate that the proposal is not in shareholders’ best interests, or where the company has not provided adequate disclosure regarding the proxy resolution.” Investors may wish to ask Capital International:

- Q How Capital International applied their voting policy to the resolutions in this study, and how they voted in each case
- Q Whether they would consider publicly disclosing their voting record in future

## Recommendations:

- That Capital International publicly disclose their voting record for at least the last year, including rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>12</sup> [https://server.capgroup.com/capgroup/Content/GIG/Europe/pdf/FRC\\_Stewardship\\_Code.pdf](https://server.capgroup.com/capgroup/Content/GIG/Europe/pdf/FRC_Stewardship_Code.pdf)

# F&C Investment

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## Disclosure:

F&C Investments (F&C) publicly disclose their voting record and rationale for votes against management, and some votes with management.

Votes in favour of management and abstentions:

- **BG Group, approve remuneration report:** F&C’s Global Corporate Governance Guidelines<sup>13</sup> state “F&C also expects justification of base pay levels awarded, and that a significant proportion of total remuneration should be variable and subject to appropriately challenging performance conditions”. Therefore, investors may wish to ask:
  - Q How they assessed that BG Group’s remuneration report ensured that pay was justified by performance, in light of other shareholders’ concerns that it did not
- **National Express, broaden remit of safety and environment committee:** F&C’s Global Corporate Governance Guidelines state “Companies may incur significant risks as a result of the employment practices (e.g. health and safety, anti-harassment, etc.) of their own operations and those of their suppliers and sub-contractors.” So, investors may wish to ask:
  - Q How they have assessed the risks associated with the issues that have been raised about National Express’ treatment of workers, what their reasons were for voting against the resolution, and how they will engage with National Express to improve this

## Recommendations:

- That F&C consider disclosing the rationale for all votes with management where there was a significant level of votes against management

<sup>13</sup> These guidelines can be downloaded from this page: <http://www.fandc.com/corporate/about-us/responsible-investment/>



# Fidelity Worldwide Investment

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## Disclosure:

Fidelity Worldwide Investment (Fidelity) publicly disclose their voting record, but do not publicly disclose their rationale for voting decisions.

Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Fidelity's proxy voting guidelines<sup>14</sup> state that they will "consider voting against the election of directors if, in our view, they lack the necessary integrity, competence or capacity to carry out their duties as directors" so investors may wish to ask:  
**Q** How this principle was applied in their vote for the re-election of Jean-Philippe Courtois, as other investors were concerned about his capacity to contribute to AstraZeneca's board
- **BG Group and Reckitt Benckiser, approve remuneration reports:** Fidelity's Principles of Ownership<sup>15</sup> state that "Incentive schemes...should be designed to ensure that the rewards reflect genuine outperformance and the creation of additional shareholder wealth by executives." They state that they "will vote against incentive arrangements if the performance targets are insufficiently challenging" and that they will "generally vote against remuneration proposals when payments made to executives are considered excessive". They also stated to us that their "main focus in the UK for the 2014 proxy voting season was the retention periods for equity based awards and we used our new voting powers on the binding vote to voice our concerns." Investors may therefore wish to ask:  
**Q** How these principles were applied to votes on the remuneration reports of BG Group and Reckitt Benckiser, where other shareholders were concerned that remuneration did not reflect performance
- **Chevron, report on hydraulic fracturing impacts and require director nominee with environmental expertise, and ExxonMobil, introduce quantitative goals for reducing GHG emissions:** Fidelity's policy states Fidelity "will evaluate ESG proposals on a case-by-case basis considering whether the adoption of the proposal in question is likely to have a material impact on either investment risk or returns." However, it does not provide specific detail on how they will vote on environmental and social issues, so investors may wish to ask:  
**Q** How their voting policy was applied to the shareholder resolutions filed Chevron and ExxonMobil.  
**Q** Whether Fidelity would consider more detail on how environmental and social considerations are incorporated in to their voting decisions.
- Fidelity's stated that their vote on **Burberry's** remuneration report will be included in their 2014/15 voting report, which will cover votes from 1st July 2014 – 30th June 2015, so investors may wish to ask for more detail on this vote when it is available

## Recommendations:

- That Fidelity publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent
- That Fidelity publicly disclose more detail on how they consider environmental issues in their voting decisions.

<sup>14</sup> <https://www.fidelityworldwideinvestment.com/global/about/appendix.page>

<sup>15</sup> [https://www.fidelityworldwideinvestment.com/static/pdf/about-fidelity/principles\\_of\\_ownership.pdf](https://www.fidelityworldwideinvestment.com/static/pdf/about-fidelity/principles_of_ownership.pdf)

# First State Investments

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## Disclosure:

First State Investments publicly disclose their voting record, but do not publicly disclose their rationales for votes.

Votes in favour of management and abstentions:

- **Burberry, approve remuneration report:** First State Investments' 'Guidelines and principles for corporate engagement on governance, environment and social issues'<sup>16</sup> state "we expect appropriate justification for levels of remuneration and the link of these to company objectives and performance from the Chairman of the Remuneration Committee." Investors may wish to ask:  
**Q** How First State Investments assessed that the remuneration report at Burberry was appropriately justified, considering concerns expressed by other investors that pay levels were excessive.
- **Chevron, report on hydraulic fracturing impacts:** First State Investments' guidelines state "ESG risks and performance - companies are encouraged to report their ESG performance publicly on a regular basis". Investors may wish to ask:  
**Q** Why First State Investments voted against the shareholder resolution to report on the impacts of hydraulic fracturing activities, considering concerns by other investors that doing so would allow investors to better assess how Chevron is managing potential risks, and that the company's current reporting could be improved.
- **Chevron, require director nominee with environmental expertise:** First State Investment's guidelines state "we believe that well governed companies have appropriate environmental and social risk policies and management procedures in place. As part of the governance process, we expect boards to have oversight of these risks and policies". Investors may wish to ask:  
**Q** How First State Investments assessed that Chevron's board has sufficient oversight on environmental risks, and therefore voted against the resolution, considering concerns expressed by other investors that more environmental expertise was needed at board level
- **ExxonMobil, introduce quantitative goals for reducing GHG emissions:** First State Investments' guidelines state "companies operating in high energy and greenhouse gas intensive sectors are expected to report their climate change risks and opportunities". Investors may wish to ask:  
**Q** Why First State Investments voted against the shareholder resolution, which other investors felt would allow them to better assess the company's performance and management of climate change issues

## Recommendations:

- That First State Investments publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>16</sup> [http://www.cfsgam.com.au/uploadedFiles/Content/About\\_Us/Responsible\\_investment/RI\\_policies/130719\\_CFSAMAL\\_Guidelines\\_for\\_Engagement.pdf](http://www.cfsgam.com.au/uploadedFiles/Content/About_Us/Responsible_investment/RI_policies/130719_CFSAMAL_Guidelines_for_Engagement.pdf)

# Goldman Sachs Asset Management

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## Disclosure:

Goldman Sachs Asset Management (GSAM) publicly disclose their voting record, but do not publicly disclose their rationale for votes.

## Votes in favour of management and abstentions:

- **Reckitt Benckiser, remuneration report:** The compensation section of GSAM's voting policy<sup>17</sup> states: "Good pay practices should align management's interests with long-term shareholder value creation. Detailed disclosure of compensation criteria is preferred; proof that companies follow the criteria should be evident and retroactive performance target changes without proper disclosure is not viewed favorably. Compensation practices should allow a company to attract and retain proven talent. Some examples of poor pay practices include: abnormally large bonus payouts without justifiable performance linkage or proper disclosure". Investors may wish to ask GSAM:  
**Q** Why they chose to abstain, rather than vote against, Reckitt Benckiser's remuneration reports considering concerns expressed by other investors that bonuses outlined in Reckitt Benckiser's report were excessive and not adequately disclosed
- **National Express, broaden remit of safety and environment committee:** GSAM's voting policy states: "GSAM recognizes that Environmental, Social and Governance (ESG) factors can affect investment performance, expose potential investment risks and provide an indication of management excellence and leadership. When evaluating ESG proxy issues GSAM balances the purpose of a proposal with the overall benefit to shareholders." Their policy does not make more specific reference to workers' rights. Investors may wish to ask:  
**Q** What their views are on the issues that have been raised about National Express' treatment of workers, and how they will engage with National Express to improve this.

## Recommendations:

- That GSAM publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent
- That GSAM publicly disclose more information on how they consider companies' social practices in their voting Decisions

<sup>17</sup> [http://www.goldmansachs.com/gsam/pdfs/voting\\_proxy\\_policy.pdf](http://www.goldmansachs.com/gsam/pdfs/voting_proxy_policy.pdf)

# Henderson Global Investors

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## Disclosure:

Henderson Global Investors (Henderson) publicly disclose their voting record, but do not publicly disclose their voting rationales.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Henderson's International Responsible Investment policy<sup>18</sup> states that they will "vote against individual directors if repeated absences at board meetings have not been explained", so investors may wish to ask:  
**Q** What explanation was provided for the repeated absences of Jean-Philippe Courtois from board meetings
- **Burberry, approve remuneration report, and Standard Chartered, approve remuneration policy:** Henderson's Responsible Investment policy states that "Performance criteria attached to share-based remuneration should be demanding and should not reward performance that is not clearly superior to that of a group of comparable companies that is appropriately selected in sector, geographical and index terms." Investors may therefore wish to ask:  
**Q** What justification lay behind their vote for Burberry's remuneration report, which other investors considered to have excessive remuneration levels  
**Q** What the rationale was for merely abstaining on Standard Chartered's remuneration policy, which other investors felt included excessive pay and was overly weighted towards short-term performance
- **National Express, broaden remit of safety and environment committee:** Henderson's policy states that "Henderson believes that good management of a range of responsibilities that companies have towards different stakeholders contributes to business success and long-term shareholder value. This embraces...responsibilities towards employees." In light of this, investors may wish to ask:  
**Q** What their views are on the issues that have been raised about National Express' treatment of workers, and how they will engage with National Express to improve this

## Recommendations:

- That Henderson publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>18</sup> <http://www.henderson.com/content/henderson/responsibleinvestment/documents/internationalripolicy.pdf>

# Hermes Investment Management

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## Disclosure:

Hermes Investment Management (Hermes) publicly disclose their voting record and rationale for votes against management. However, they do not disclose their rationale for votes with management.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Hermes' Responsible Ownership Principles<sup>19</sup> make no specific reference to the attendance of directors at board meetings, but do specify that boards should ensure that "each director makes a useful contribution." Investors may therefore wish to ask:  
**Q** How Hermes assessed that Jean-Philippe Courtois made a useful contribution to AstraZeneca, despite his lack of attendance at board meetings
- **AstraZeneca, BG Group, Burberry and Reckitt Benckiser's remuneration reports:** Hermes' Responsible Ownership Principles state that "companies should design and implement remuneration policies that...align the interests of management with the interests of shareholders." Investors may wish to ask:  
**Q** How they assessed that executive pay levels and bonus payments were in the interests of shareholders, considering the concerns expressed by other investors
- **Chevron, report on hydraulic fracturing impacts and require director nominee with environmental expertise, and ExxonMobil, introduce quantitative goals for reducing GHG emissions:** Hermes' Responsible Ownership Principles state "We recognise that a range of environmental and social issues may affect long-term shareholder value and the company's sustainability. As such, we believe companies should effectively identify and explore related opportunities and manage relevant risks." Unfortunately, their policy does not contain greater detail on their views on environmental factors. Investors may wish to ask:  
**Q** How this reasoning was applied in the decision to vote some shares against the shareholder resolutions at Chevron and ExxonMobil, where other shareholders felt that the resolutions would improve the companies' opportunities to explore and manage environmental risks.
- **Standard Chartered, approve remuneration policy:** Hermes' Responsible Ownership Principles state "Flawed remuneration policies may encourage executives to take excessive risks in order to generate short-term profits and fail to align their interests with those of shareholders in the longer term. For companies in the financial sector in particular, we will therefore look for evidence that variable incentive structures reward sustainable profits and incorporate some risk metric and measure of the cost of capital involved in any deal related activities". Investors may therefore wish to ask:  
**Q** How Hermes assessed that Standard Chartered's remuneration policy adequately promoted long-term performance, considering the concerns expressed by other investors that the policy was related to short-term performance.

## Recommendations:

- That Hermes publicly disclose their rationales for all votes with management where a significant number of shareholders voted against the resolution.
- That Hermes publicly disclose more detail on how they assess environmental issues when making voting decisions, and more detail on how they consider directors' attendance at board meetings

<sup>19</sup> [http://www.hermes-investment.com/Portals/8/The\\_Hermes\\_Ownership\\_Principles\\_UK.pdf](http://www.hermes-investment.com/Portals/8/The_Hermes_Ownership_Principles_UK.pdf)

# HSBC Global Asset Management

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## Disclosure:

HSBC Global Asset Management publicly disclose their voting record “although the disclosures do not cover the voting activity of all HSBC Global Asset Management entities”. They do not usually publicly disclose their voting rationales, however they were able to do so for this study.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois and approve remuneration report:** HSBC Global Asset Management voted for the re-election of Jean-Philippe Courtois on the basis that their “policy for scrutinising low board attendance does not capture 69% attendance as here” and to approve the remuneration report as “the Committee has disclosed the general performance criteria for the PSP and defined which measures are to be used and the Committee’s Chairman has confirmed that the outcomes will be provided retrospectively”. Investors may wish to ask:
  - Q What criteria is used to assess directors for their suitability for re-election to the board, and whether they would consider including criteria for attendance at meetings
  - Q How they assessed bonuses levels, which other investors considered to be excessive
- **BG Group, approve remuneration report:** HSBC Global Asset Management stated that they originally intended to vote against the remuneration report, but voted for it “as the new CFO joined at a time when the Company was facing considerable challenges. With the subsequent significant share price drop, there was a significant possibility that the buy-out awards (matching forgone awards from previous employer) would not vest at all, since the TSR condition of the original award became significantly more challenging to achieve.” Investors may wish to ask:
  - Q How HSBC Global Asset Management will ensure that the awards are justified by future performance
- **Chevron, require director nominee with environmental expertise:** HSBC Global Asset Management voted against the shareholder resolution at Chevron to “require a director nominee with environmental expertise” on the basis that they “generally do not support shareholder resolutions to impose new directors where the board already has appropriate balance.” Investors may wish to ask:
  - Q How HSBC Global Asset Management will ensure that there is sufficient oversight of environmental matters by the Chevron board
- **National Express, broaden remit of safety and environment committee:** HSBC Global Asset Management voted against the shareholder resolution to broaden the remit of the Safety and Environment Committee at National Express because they “did not believe that the company’s handling of these issues merited this step.” Investors may wish to ask:
  - Q What their views are on the issues that have been raised about National Express’ treatment of workers, and how they will engage with National Express to improve this
- **Reckitt Benckiser, approve remuneration report:** HSBC Global Asset Management voted to approve Reckitt Benckiser’s remuneration report “as the Company has provided an undertaking that performance targets will be fully disclosed on a retrospective basis in future”. Investors may wish to ask:
  - Q How HSBC Global Asset Management will engage with Reckitt Benckiser on other concerns expressed by investors, included excessive pay levels and lack of independence of remuneration committee
- **Standard Chartered, approve remuneration policy:** HSBC Global Asset Management voted to approve Standard Chartered’s remuneration policy even though they were concerned that “Following changes to the structure of remuneration as a result of the Capital Requirements Directive, overall compensation is weighted significantly towards the achievement of one year targets” as “a significant proportion will be paid in shares which are not released for a period of time.” Investors may wish to ask:
  - Q How HSBC Global Asset Management will ensure that long-term performance is suitably valued and rewarded at Standard Chartered

## Recommendations:

- That HSBC Global Asset Management publicly disclose their rationales for all votes against management, and votes with management where a significant number of shareholders voted against the resolution.



# Invesco Perpetual

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## Disclosure:

Invesco Perpetual (IP) do not publicly disclose their voting record, and were not able to disclose it to us for this report. Their Policy on Corporate Governance and Stewardship<sup>20</sup> states “Whilst comprehensive records of IP’s voting instructions are maintained, IP does not report specifically on its voting activity. Whilst being mindful of its fiduciary duty and the interest of all investors, IP believes that automatic public disclosure of its voting records may have a detrimental effect on its ability to manage its portfolios and ultimately would not be in the best interest of all clients.” They also state “IP considers that the voting rights attached to its clients’ investments should be actively managed with the same duty of care as that applied to all other aspects of asset administration. As such, voting rights will be exercised on an informed and independent basis, and will not simply be passed back to the company concerned for discretionary voting by the Chairman”. Investors may wish to ask Invesco Perpetual:

- Q How Invesco Perpetual applied their voting policy to the resolutions in this study, and how they voted in each case
- Q Whether they would consider publicly disclosing their voting record on individual votes in future

## Recommendations:

- That Invesco Perpetual publicly disclose their voting record for at least the last year, including rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>20</sup> <https://www.invescoperpetual.co.uk/site/ip/pdf/brch-corp-gvrnce-stwrdsbp.pdf>

# Investec Asset Management

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## Disclosure:

Investec Asset Management (Investec) publicly disclose their voting record but do not publicly disclose their rationales for votes.

## Votes in favour of management and abstentions:

- Investec's 'Ownership Policy and Proxy Guidelines'<sup>21</sup> state that they may vote against the remuneration of directors if "the remuneration is significantly higher than comparator companies", so investors may wish to ask:

**Q** What their rationale was for voting with management at Reckitt Benckiser to approve the remuneration report and for abstaining on votes on the remuneration reports at AstraZeneca, BG Group and Burberry, rather than voting against, considering concern expressed by other investors about excessive pay levels.

- Chevron, report on hydraulic fracturing impacts and require director nominee with environmental expertise, and ExxonMobil, introduce quantitative goals for reducing GHG emissions:** Investec's policy states that "If environmental risks are apparent, and engagement with management has not resulted in any discernable action on behalf of management, Investec Asset Management will consider raising the issue at the company's general meeting", so investors may wish to investigate:

**Q** What Investec's rationale was for voting with management on the shareholder resolutions, considering the view by other investors that these resolutions would help to address environmental risks, and whether Investec has had engagement with the companies on environmental risks

- National Express, broaden remit of safety and environment committee:** Investec's policy also states "If there are persistent workforce disputes, that result in long-term value destruction and it is linked to clear mismanagement of employee relationships and disrespect for the company's workforce, Investec Asset Management expects that the company takes relevant action and declare that it is doing so. If Investec Asset Management is of the opinion that there has not been sufficient response to this issue, then Investec Asset Management will consider raising the issue at the company's general meeting, and site it as a reason for not supporting the re-election of incumbent executive directors." Investors may therefore wish to ask:

**Q** How they have assessed the dispute between National Express and its US workforce and what action they have taken on this

## Recommendations:

- That Investec publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>21</sup> <http://www.investecassetmanagement.com/document/pdf/Ownership-Policy-and-Proxy-Guidelines.pdf>

# J O Hambro Capital Management

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## **Disclosure:**

J O Hambro Capital Management (JOHCM) does not publicly disclose their voting record or policy. On voting procedures, their response to the Stewardship Code states: “JOHCM has engaged ISS Proxy Voting Services and ISS Proxy Advisory Services to facilitate our voting and engagement activities. Our fund managers review all Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) agendas prior to voting. Where ISS research highlights issues which do not represent best practice, JOHCM’s Investment Director will discuss the issues with the relevant fund manager before agreeing a course of action, which is then implemented for those portfolios where JOHCM has full discretion over voting. Over the course of the past year we have voted with management, we have voted against management, and on occasions voted contrary to ISS recommendation, typically when ISS recommend voting against management. The last category is perhaps the most interesting and illustrates the thought given by our fund managers to the specifics of each case, rather than adopting a ‘one size fits all’ policy.”<sup>22</sup> Investors may wish to ask JOHCM:

- To provide a copy of their voting policy and how it was applied to the votes in this study.
- Whether they would consider publicly disclosing their voting policy and records in future

## **Recommendations:**

- To provide a copy of their voting policy and explain how it was applied to the votes in this study.
- Whether they would consider publicly disclosing their voting policy and records in future

<sup>22</sup> <https://www.johcm.co.uk/about-us/compliance-with-stewardship-code>

# JP Morgan Asset Management

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## Disclosure:

JP Morgan Asset Management (JP Morgan) publicly disclose their voting record, but do not publicly disclose their voting rationales.

## Votes in favour of management and abstentions:

- **BG Group, approve remuneration report:** JP Morgan's Corporate Governance Policy and Voting Guidelines<sup>23</sup> state that they expect remuneration to contain a variable element that "fully aligns the executive with shareholders and where superior awards can only be achieved by attaining superior performance" and that "there should be no award for below-median performance, and awards for at-median performance should be modest." Investors may therefore wish to ask:  
**Q** How they came to the conclusion that the pay arrangements at BG Group promoted superior performance which benefited shareholders, considering other shareholders' concern that payment was not justified by performance
- **Reckitt Benckiser, approve remuneration report:** JP Morgan's guidelines state on bonuses that "we expect a high degree of disclosure on performance metrics (pre-award) and performance against those metrics (post-award)". Investors may therefore wish to ask:  
**Q** How they assessed the disclosure of bonuses at Reckitt Benckiser, considering concerns expressed by other investors
- **Chevron, report on hydraulic fracturing impacts and require director nominee with environmental expertise, ExxonMobil, introduce quantitative goals for reducing GHG emissions, and National Express, broaden remit of safety and environment committee:** JP Morgan's Guidelines are not sufficiently detailed on their rationale for decisions on environmental and social issues to assess the possible reasons for their votes with management on the shareholder resolutions at Chevron, ExxonMobil and National Express. However, their policy states: "we recognise that, increasingly, non-financial issues such as social and environmental factors have the potential to impact the share price, as well as the reputation of companies." Investors may wish to ask:  
**Q** What the rationale was behind their decisions on the shareholder resolutions at Chevron, ExxonMobil and National Express.  
**Q** Whether JP Morgan would consider disclosing more detail about how they will vote on ESG issues in their policy in future

## Recommendations:

- That JP Morgan publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent
- That JP Morgan publicly disclose more detail on how they consider environmental and social factors in their voting decisions

<sup>23</sup> [http://am.jpmorgan.co.uk/investor/\\_documents/cg-guidelines-october-2013.pdf](http://am.jpmorgan.co.uk/investor/_documents/cg-guidelines-october-2013.pdf)

# Jupiter Asset Management

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## Disclosure:

Jupiter Asset Management (Jupiter) publicly disclose their voting record, but do not publicly disclose their voting rationales.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Jupiter stated “We supported the re-election of the above nominee as we believe the disclosure from the Company provided sufficient assurance that director commitment is governed and a vote in favour was merited. The Annual Report (AR) provides clear and direct statements regarding non-executive time commitments. The AR also provides commentary regarding the course of action to be taken should a non-executive be absent from meetings i.e. receive papers, still get opportunity to provide verbal input to Chairman and Committees. The AR also makes it clear that given the nature of the business, “unscheduled meetings” are often called at short notice and absences are unavoidable as directors may have existing jobs or other commitments. If the attendance record is examined, it is evident that most of Mr Courtois’ absences fell on the unscheduled meetings and this was another factor in our support. We thought it reasonable to provide an individual some flexibility for not attending unscheduled meetings as long as the process to disseminate information and provide for effective information flows are in place.” Investors may wish to ask:  
**Q** hat engagement Jupiter had with AstraZeneca which assured them that the information dissemination arrangements were allowing Jean-Philippe Courtois to sufficiently fulfil his duties on the board, considering concerns expressed by other investors that his lack of attendance at meetings had impeded his duty to perform these duties
- **National Express, broaden remit of safety and environment committee:** Jupiter stated “In reaching our voting decision we felt it important to engage with both parties and we had dialogue with the Chairman and representatives of the Teamsters Trade Union who backed the motion. In conclusion we felt support for management was warranted as the split of responsibilities between the Board and the Safety and Environmental Committee in the areas, for safety, people, and community is in line with general UK practice. Furthermore, there was insufficient publicly available evidence to suggest that the company’s current policies and practices have systematically hindered the company’s business prospects.” Investors may wish to ask:  
**Q** What engagements Jupiter has had with National Express to improve workers’ rights, particularly of US workers, which was the aim of this resolution
- **Reckitt Benckiser, approve remuneration report:** Jupiter’s Governance and Voting Policy<sup>24</sup> states that “companies should clearly define why the performance targets have been chosen, including a comment on the robustness of the targets and information to establish the link to business strategy”. Jupiter stated “The issue of bonus transparency is something that we discuss regularly with companies and understand the sensitivity and complexity with regards to commercial sensitivity. On this occasion, the Company had made commitments to improve disclosure for the following year and that is the reason for abstaining rather than a vote against.” Investors may wish to ask:  
**Q** How Jupiter will continue to engage with Reckitt Benckiser to ensure that disclosure is improved, and that bonus levels are not excessive, which some investors considered them to be

## Recommendations:

- That Jupiter publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>24</sup> <http://www.jupiteram.com/en-FI/~media/Files/Shareholder/Governance%20and%20Voting%20Policy.pdf>

# Kames Capital

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## Disclosure:

Kames Capital (Kames) publicly discloses their voting record for the last quarter and rationale for votes against management and abstentions. They were able to provide their full voting record and rationale for votes with management for the resolutions in this study.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Kames stated that they chose to vote for the re-election of Jean-Philippe Courtois, despite his poor attendance at meetings, because they “note that Mr. Courtois is a full-time divisional president at Microsoft and AstraZeneca suggests a number of board meetings were called at short notice”. Investors may wish to ask:  
**Q Whether they feel that Jean-Philippe Courtois is able to fulfil his duties at AstraZeneca, considering the number of boards he sits on**
- **BG Group, approve remuneration report:** Kames chose to vote for the remuneration report at BG Group as they felt that the extra award for the outgoing Finance Director was justified as “Given the fall in the share price, it would be unlikely that the original award will vest. The board therefore made an additional award to offset this. The proportion of shares that vest under the new award will be reduced by the proportion of shares that vest under the original buy-out award.” Investors may wish to ask:  
**Q How they are engaging with BG Group on ensuring that pay reflects executives’ performance**

## Recommendations:

- That Kames disclose their full voting record for at least the last year, including their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent



# Legal and General Investment Management

## Disclosure:

Legal and General Investment Management (LGIM) publicly disclose their voting record, but do not publicly disclose their voting rationales. However, they were able to disclose their rationales for the votes included in this report.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** LGIM stated that they “supported Jean-Philippe Courtois’ re-election following engaging with the Chairman who provided assurance regarding Mr Courtois’ time commitment and contribution to the board,” however LGIM’s Global Corporate Governance and Responsible Investment policy<sup>25</sup> states “LGIM expects directors to have attended no less than 75% of the board and committee meetings held”. Investors may wish to ask:  
**Q** Whether LGIM will engage with AstraZeneca about improving directors’ attendance at board meetings, to ensure that directors are able to attend more than 75% of meetings
- **AstraZeneca, approve remuneration report:** LGIM stated that they “supported the remuneration report in 2014 following extensive engagement with the company.” Investors may wish to ask:  
**Q** What explanation AstraZeneca offered for executive pay levels, including payments made to the incoming and outgoing CFOs, which persuaded LGIM to vote in favour
- **BG Group, approve remuneration report:** LGIM stated “In 2014, LGIM engaged with the Company extensively regarding the company’s pay policy in preparation for meeting the government’s new remuneration regulations. LGIM highlighted that the company needed to build in enough flexibility in the policy to ensure that it is able to recruit a new CEO. Following this engagement, the company made a number of amendments from its original proposal. Given these changes and the need for stability after numerous performance issues, LGIM supported this item.” Investors may wish to ask:  
**Q** What engagement LGIM had with BG Group around linking remuneration and performance, considering other investors’ concerns that pay levels did not reflect performance
- **Reckitt Benckiser, approve remuneration report:** LGIM voted in favour of Reckitt Benckiser’s remuneration report, however LGIM’s Global Corporate Governance and Responsible Investment policy states that they will oppose the remuneration report if “disclosure surrounding bonus payments is unclear”. Investors may therefore wish to ask:  
**Q** How they assessed that bonus disclosures in Reckitt Benckiser’s remuneration report were sufficient, considering other investors’ concerns.
- **Chevron, report on hydraulic fracturing impacts and require director nominee with environmental expertise, and ExxonMobil, introduce quantitative goals for reducing GHG emissions:** On these resolutions, LGIM stated “Following engaging with the company we supported the company and voted against the shareholder proposals. LGIM will consider all shareholder proposals on a case by case basis and in the wider context of the corporate governance practices at the company as well as the long-term benefits of shareholders and shall vote accordingly. LGIM will generally support a shareholder proposal which requests the company to report on implementation of social and environmental initiatives where there is reason for concern.” Investors may wish to ask:  
**Q** Why they decided to vote against shareholder resolutions at Chevron and ExxonMobil which aimed to improve company reporting on environmental issues  
**Q** At Chevron, what their reason was for opposing the shareholder resolution to require a director nominee with environmental experience, and how they are ensuring that there is sufficient environmental expertise at the company board level

## Recommendations:

- That LGIM publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>25</sup> <http://www.lgim.com/library/capabilities/Corporate-Governance-General-Policy.pdf>

# M&G Investment Management

## Disclosure:

M&G Investment Management (M&G) publicly disclose their voting record, but do not publicly disclose their voting rationales. However, they were able to provide detail on their rationales for some of the votes in this report.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** M&G stated that they chose to support AstraZeneca company management's recommendation to re-elect Jean-Philippe Courtois as they were "supportive of Chairman's judgement." Investors may wish to ask:  
**Q** How M&G assesses directors' level of attendance at board meetings when deciding whether to support their re-election, and how they assessed that Jean-Philippe Courtois was able to contribute to AstraZeneca's board, considering concerns expressed by other investors about his level of attendance at board meetings
- **BG Group, approve remuneration report:** M&G's document on 'Issues arising from share ownership'<sup>26</sup> states that "potential rewards should reflect business performance and the creator of shareholder wealth". Investors may therefore wish to ask:  
**Q** How M&G assessed that the remuneration report of BG Group suitably linked pay with performance, considering the concerns about this expressed by other investors
- **AstraZeneca and Burberry approve remuneration report:** M&G's document does not make specific reference to how they assess levels of pay, which other investors were concerned were 'excessive' in AstraZeneca and Burberry's remuneration reports. Investors may therefore wish to ask:  
**Q** How M&G assessed levels of pay, and how they deemed that levels of pay at AstraZeneca and Burberry were in shareholders' best interests
- **Chevron, report on hydraulic fracturing impacts:** M&G stated that they voted with management, against the shareholder resolution, as "company complies with the necessary regulatory requirements and has implemented a risk management system." Investors may wish to ask:  
**Q** How M&G assessed that Chevron's current reporting on hydraulic fracturing, and other environmental impacts, is sufficient, considering concerns expressed by other investors that further reporting is needed
- **Chevron, require director nominee with environmental expertise:** M&G stated that they voted with management, against the shareholder resolution, as there was "sufficient technical expertise already on board". Investors may wish to ask:  
**Q** How they assessed that there was already sufficient technical expertise in the board in this area, considering concerns expressed by other investors that more expertise is needed
- **National Express, broaden remit of safety and environment committee:** M&G stated that they voted with management, against the shareholder resolution, as "appropriate policies are in place. Engagement with company provided satisfactory explanations." Investors may wish to ask:  
**Q** What explanations were provided by National Express regarding workers' rights issues raised by other investors, and how they assessed that current policies are appropriate for addressing these
- **Reckitt Benckiser, approve remuneration report:** As before, M&G's document on Issues Arising from Share Ownership recommends that rewards reflect performance and also states that "accountability to shareholders is achieved by full disclosure of these (remuneration) arrangements". Investors may therefore wish to ask:  
**Q** How M&G assessed that there was sufficient disclosure of bonuses in Reckitt Benckiser's remuneration report, considering concerns expressed by other investors  
**Q** How M&G assessed that pay levels rewarded performance, considering concerns expressed by other shareholders
- **Standard Chartered, approve remuneration policy:** M&G's document does not appear to make specific reference to how they will ensure that directors are incentivised long-term. Investors may therefore wish to ask:  
**Q** What M&G's view is on concerns expressed by other investors that Standard Chartered's remuneration policy is weighted towards short-term performance, and whether they are engaging with Standard Chartered on this.

## Recommendations:

- That M&G publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

# Morgan Stanley Investment Management

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## Disclosure:

Morgan Stanley Investment Management (Morgan Stanley) publicly disclose their voting records. However, they do not publicly disclose their rationale for voting decisions as they feel it undermines their engagement with companies.

## Votes in favour of management and abstentions:

- **AstraZeneca and Burberry's remuneration reports:** Morgan Stanley's voting policy<sup>27</sup> states "We consider proposals relating to an advisory vote on remuneration on a case-by-case basis. Considerations include a review of the relationship between executive remuneration and performance based on operating trends and total shareholder return over multiple performance periods. In addition, we review remuneration structures and potential poor pay practices, including relative magnitude of pay, discretionary bonus awards, tax gross ups, change-in- control features, internal pay equity and peer group construction. As long-term investors, we support remuneration policies that align with long-term shareholder returns." Investors may therefore wish to ask:

**Q** How Morgan Stanley assessed the remuneration reports of AstraZeneca and Burberry, where other investors considered that remuneration proposals were not appropriate.

- **Chevron, require director nominee with environmental expertise, and ExxonMobil, introduce quantitative goals for reducing GHG emissions:** On 'Social, Political and Environmental Issues' Morgan Stanley's policy states: "We consider how to vote on the proposals on a case-by-case basis to determine likely impacts on shareholder value. We seek to balance concerns on reputational and other risks that lie behind a proposal against costs of implementation, while considering appropriate shareholder and management prerogatives. We may abstain from voting on proposals that do not have a readily determinable financial impact on shareholder value. We support proposals that if implemented would enhance useful disclosure, but we generally vote against proposals requesting reports that we believe are duplicative, related to matters not material to the business, or that would impose unnecessary or excessive costs. We believe that certain social and environmental shareholder proposals may intrude excessively on management prerogatives, which can lead us to oppose them." Their policy does not contain further detail on environmental and social issues. Investors may wish to ask:

**Q** How this was applied in their decisions to vote against the shareholder proposals at Chevron to require a director nominee with environmental experience and ExxonMobil to introduce quantitative goals for reducing GHG emissions.

## Recommendations:

- That Morgan Stanley publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent
- That Morgan Stanley provide more specific detail on how they assess environmental issues when making voting decisions in their voting policy

<sup>27</sup> [http://www.morganstanley.com/msim/portal/site/US/template.PAGE/?msimPageTitle=proxy\\_voting\\_us\\_retail&u=86bb14f4dc87daf33d3afb1051a9e009](http://www.morganstanley.com/msim/portal/site/US/template.PAGE/?msimPageTitle=proxy_voting_us_retail&u=86bb14f4dc87daf33d3afb1051a9e009)

# Newton Investment Management

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## Disclosure:

Newton Investment Management (Newton) disclose whether they 'voted in favour of management' at a company or whether they 'voted against management' and then provide explanation for the particular votes where they voted against management. Newton disclose their rationales for some votes with management.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Newton's Responsible Investment policy<sup>28</sup> does not make specific reference to the attendance of directors at board meetings, however the Voting Policy<sup>29</sup> of their parent company BNY Mellon states that they will withhold support from incumbent directors who attend less than 75% of meetings for two consecutive years. Investors may therefore wish to ask:  
**Q** Why they voted for the re-election of Jean-Philippe Courtois, considering his level of absence from board meetings and the concerns about this expressed by other investors
- **National Express, broaden remit of safety and environment committee:** Although not directly recorded, we assume that Newton voted with management, against the shareholder resolution, at National Express as they do not list the resolution in their explanation of votes against management. Newton's Responsible Investment Policy states that "constructive and positive labour relations are critical to a company's long-term success. Well-managed employee relations improve productivity and effectiveness, creating value for investors." Investors may therefore wish to ask:  
**Q** What their views are on the issues that have been raised about National Express' treatment of workers, and how they will engage with National Express to improve this
- **Standard Chartered, approve remuneration policy:** Newton states in their Responsible Investment report for Q2 of 2014<sup>30</sup> that it recognises that "certain elements of the company's remuneration arrangements and policy failed to meet best practice", but states that it chose to vote with management after "extensive discussions with investment staff" where it questioned the policy, but in the end was led it to believe that "long-term shareholder value would be affected negatively if the company's remuneration policy was not approved by shareholders" due to decreased ability to attract talented people and higher staff turnover. Investors may wish to ask:  
**Q** What discussions Newton had with Standard Chartered about remuneration prior to the 2014 AGM to bring it closer to best practice, and how they are continuing to engage with Standard Chartered to address concerns with the remuneration report

## Recommendations:

- That Newton disclose a full list of votes, in order to avoid any confusion about how they voted

<sup>28</sup> <http://www.newton.co.uk/uk-institutional/special-document/ri-policies-procedures/>

<sup>29</sup> [https://www.bnymellon.com/\\_global-assets/pdf/investment-management/introduction-to-bny-mellon's-proxy-voting-and-governance-committee.pdf](https://www.bnymellon.com/_global-assets/pdf/investment-management/introduction-to-bny-mellon's-proxy-voting-and-governance-committee.pdf)

<sup>30</sup> <http://www.newton.co.uk/uk-institutional/file/ri-esg-q2-2014/>

# Royal London Asset Management

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## Disclosure:

Royal London Asset Management (RLAM) publicly disclose their voting records and rationales for votes against management, abstentions and some controversial votes with management.

## Votes in favour of management and abstentions:

- **AstraZeneca, approve re-election of Jean-Philippe Courtois:** RLAM stated to us that Jean-Philippe Courtois' poor attendance would normally have triggered a vote against his re-election, however there was an error in reports received from a third party organisation, so it was overlooked. However, that they have taken steps to ensure that this type of error does not happen again. Investors may wish to ask RLAM:
  - Q What steps RLAM has taken to ensure that their voting system does not experience problems again
  - Q How they utilise information provided by third party organisations when making voting decisions
- **National Express, broaden remit of safety and environment committee:** RLAM chose to withhold their vote on broadening the remit of the safety and environment committee at National Express' AGM, "pending further engagement with the company." Investors may wish to ask RLAM:
  - Q What further engagements they intend to undertake with National Express to address workers' rights issues

## Recommendations:

- That RLAM review their arrangements with third party voting organisations, to ensure that errors do not occur in future

# Santander Asset Management

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## Disclosure:

Santander Asset Management do not publicly disclose their voting record for individual votes, although they do disclose quarterly summary statistics, which indicate that they voted against management on approximately 13% of resolutions between January and September in 2014. Santander Asset Management were able to disclose their voting record to us, and it indicated that they voted against management at a number of the resolutions included in this study. However, they have requested that the record is kept private. In their response to the UK Stewardship Code<sup>31</sup>, Santander Asset Management state “Santander Asset Management UK has developed a voting policy and believes that voting at company meetings is an important part of our fiduciary duty to our clients... Santander Asset Management UK has engaged with a recognised proxy voting organisation, PIRC, to provide research, analysis and voting advice on the resolutions proposed at general meetings.” Investors may wish to ask:

- Q How their voting policy was applied to the votes included in this study, and how they voted on these resolutions
- Q Whether they would consider publicly disclosing their voting record, and rationales for votes, in future.

## Recommendations:

- That Santander Asset Management publicly disclose their voting record for at least the last year, including rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>31</sup> [http://www.santanderassetmanagement.co.uk/private-investors/en\\_GB/private-investors/About-Us/UK-Stewardship-Code/Statement-of-Compliance](http://www.santanderassetmanagement.co.uk/private-investors/en_GB/private-investors/About-Us/UK-Stewardship-Code/Statement-of-Compliance)



# Schroders Investment Management

## Disclosure:

Schroders Investment Management (Schroders) publicly disclose their voting record, but do not disclose their rationale for voting either for or against, on the basis that “companies are usually willing to engage with us in a more constructive way if they feel that this will not be played out in the public arena”.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Schroders' ESG policy<sup>32</sup> does not provide detail on the level of attendance at board meetings they expect from board members. Shareholders may wish to ask:
  - Q How they assessed that Jean-Philippe Courtois deserved re-election, considering the concern expressed by other shareholders
  - Q Whether Schroders would consider disclosing more information on the level of commitment they would expect to see from board members
- **BG Group, approve remuneration report:** Schroders' ESG policy states “In formulating proposals remuneration committees and boards should...link significant elements of total remuneration to genuine performance and in particular focused on the achievement of above average performance.” Investors may therefore wish to ask:
  - Q How they assessed that BG Group's remuneration report sufficiently linked remuneration to performance, considering that other investors felt that pay levels did not reflect company performance
- **Carnival, approve remuneration policy:** Schroders is the only manager, which disclosed votes for this study, to have voted for Carnival's remuneration policy. They stated that they decided to vote for Carnival's remuneration policy and against Carnival's remuneration report as “Our engagement on this topic was both verbal and written, where we argued for better disclosure and a change in weightings of the performance metrics. We wanted to recognise the progress that the company made in this area from their original position.” Investors may wish to ask:
  - Q How they will ensure that Carnival continues to implement measures that link pay with performance, and addresses concerns about inappropriate payments and clawback policy.
- **National Express, broaden remit of safety and environment committee:** Schroders' ESG policy does not disclose their position on workers' rights. Investors may wish to ask:
  - Q Whether they would consider disclosing a clear position on workers' rights as part of their policy
  - Q What their views are on the issues that have been raised about National Express' treatment of workers, and how they will engage with National Express to improve this
- **Reckitt Benckiser, approve remuneration report:** Schroders' ESG policy states that committees and boards should “appoint remuneration committees consisting of independent non-executive directors”. Investors may wish to ask:
  - Q How they assessed that Reckitt Benckiser's remuneration committee was suitably independent, considering other investors' concern about non-independent non-executives on the remuneration committee.
- **Standard Chartered, approve remuneration policy:** Schroders' ESG policy states that when formulating executive remuneration proposals remuneration committees and boards should “achieve an appropriate balance between long- and short-term elements of pay, with an emphasis on reward for sustainable longer-term performance.” Investors may therefore wish to ask:
  - Q How Schroders' assessed Standard Chartered's remuneration policy, considering other investors' concerns that it was weighted towards short-term performance

## Recommendations:

- That Schroders publicly disclose their rationales for all votes against management and votes with management
- That Schroders publicly discloses more detail on how social factors, including workers' rights, are considered in their voting decisions, and their views on the level of attendance that should be expected of board members

<sup>32</sup> <https://www.schroders.com/staticfiles/Schroders/Sites/global/pdf/Schroders-ESG-Policy-2014.pdf>

# Standard Life Investments

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## Disclosure:

Standard Life Investments (Standard Life) publicly disclose their voting record for all UK and European companies where they voted against management or abstained. They also disclose their rationales for voting against management, and in some cases their rationale for voting with management.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** Standard Life's policies do not make specific reference to their views on directors' attendance at board meetings. Investors may therefore wish to ask:  
**Q** Considering the concerns of other investors about Jean-Philippe Courtois' low attendance at board meetings, how they assessed that Jean-Philippe Courtois was still able to fulfil his duties on the AstraZeneca board despite this low attendance
- **National Express, broaden remit of safety and environment committee:** Standard Life's explanation for voting with management at the shareholder resolution to broaden the remit of the Safety and Environment Committee at National Express' AGM stated that they did not believe the resolution to be in shareholders' best interests. Shareholders may wish to ask:  
**Q** What their views are on the issues that have been raised about National Express' treatment of workers, and how they will engage with National Express to improve this
- **Reckitt Benckiser, approve remuneration report:** Standard Life's UK Regional Voting Guidelines<sup>33</sup> state that they "will generally vote against share schemes and other forms of remuneration for directors and other senior executives which may lead to salary increases that are not justified by corporate performance, relevant benchmarks or to remuneration within the broader population of the company". Investors may wish to ask:  
**Q** How they decided to vote with Reckitt Benckiser's management, considering other investors' concerns that their remuneration report allowed excessive bonuses for executives
- **Standard Chartered, approve remuneration policy:** Standard Life stated that they voted to approve Standard Chartered's remuneration policy on the basis that "previous concerns regarding performance targets were addressed in light of reduced earnings guidance and we considered the new structure of remuneration under CRD IV to be acceptable." Investors may wish to ask:  
**Q** How Standard Life will engage with Standard Chartered to ensure that their remuneration policy promotes long-term performance

## Recommendations:

- That Standard Life disclose more detail on their views about directors' attendance at board meetings
- That Standard Life disclose a full list of votes they cast, including votes with management

<sup>33</sup> [http://www.standardlifeinvestments.com/html/voting\\_guidelines/UK\\_Regional\\_Voting\\_Guidelines.pdf](http://www.standardlifeinvestments.com/html/voting_guidelines/UK_Regional_Voting_Guidelines.pdf)

# State Street Global Advisors

## Disclosure:

State Street Global Advisors (SSgA) publicly disclose their voting record, but do not publicly disclose their rationales for their voting decisions. However, they were able to provide information on their rationales for the resolutions in this study.

## Votes in favour of management and abstentions:

- **BG Group, approve remuneration report:** SSgA stated “Although SSgA had some reservations over the size of bonuses awarded during a difficult financial period, on balance SSgA supported the company given the discretion applied to reduce final bonus pay-outs, structural changes introduced to strengthen long-term alignment with shareholders, and the presence of a relatively new management team.” Investors may wish to ask:  
**Q What engagement SSgA had with BG Group about the size of bonuses prior to the AGM, and how SSgA will engage with BG Group to ensure that future remuneration arrangements provide value for shareholders**
- **Burberry, approve remuneration report:** SSgA stated “SSgA had extensive discussions with the company following the unplanned departure of the former CEO, particularly around the need for the board to proactively manage their interim and long-term executive succession plans. SSgA approved the remuneration plan, despite our reservations, as we believe it was in the long-term interest of shareholders for the company to have seamless CEO transition while providing time to develop the executive pipeline.” Investors may wish to ask:  
**Q How SSgA will engage with Burberry to address their reservations about the remuneration plan**
- **Chevron, report on hydraulic fracturing impacts:** SSgA stated “SSgA has had multi-year discussions with Chevron on ESG issues. Our voting decision took into account the controls and risk management systems related to ‘Fracking’ in place at the company, their responsiveness to our engagement requests, and steady progress in enhancing their environmental reporting practices.” Investors may wish to ask:  
**Q For more detail on Chevron’s controls and risk management systems, and how SSgA will engage with Chevron to ensure continued progress on environmental reporting practices**
- **Chevron, require director nominee with environmental expertise:** SSgA stated “SSgA engaged with the lead director and did not identify significant governance concerns with respect to the composition of the board nor the existing nomination and succession planning process.” SSgA’s Proxy Voting and Engagement Guidelines for the UK<sup>34</sup> state “In its analysis of boards, SSgA considers whether board members have adequate skills to provide effective oversight of corporate strategy, operations and risks, including environmental and social issues.” Considering this, investors may wish to ask:  
**Q How SSgA assessed that Chevron’s board has sufficient expertise in environmental matters, considering concerns by other investors that they do not**
- **ExxonMobil, introduce quantitative goals for reducing GHG emissions, and National Express, broaden remit of safety and environment committee:** SSgA’s Proxy Voting and Engagement guidelines state “As a fiduciary, SSgA considers the financial and economic implications of environmental and social issues first and foremost. In this regard, SSgA supports environmental and social related items that we believe would protect or enhance shareholder value”. Investors may therefore wish to ask:  
**Q What their view was on the shareholder resolutions at ExxonMobil and National Express, which aimed to improve the companies’ management of environmental and social issues, and why they chose to abstain on these resolutions**
- **Standard Chartered, approve remuneration policy:** SSgA stated “SSgA has had a multi-year engagement with Standard Chartered Bank. We supported the revised remuneration policy as we believe it was in the long-term interest of shareholders given the shifting regulations governing pay, and the need for the company to protect its Asian franchise in a highly competitive regional environment.” Investors may wish to ask SSgA:  
**Q How SSgA assessed that the policy was in the long-term interests of shareholders, considering concerns expressed by other investors that it was weighted towards short-term performance, and how SSgA might engage with Standard Chartered to ensure that their remuneration practices support long-term performance.**

## Recommendations:

- That State Street Global Advisors publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

34 <http://www.ssga.com/publications/capabilities/Proxy-Voting-and-Engagement-Guidelines-UK.pdf>

# Threadneedle Asset Management

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## Disclosure:

Threadneedle publicly disclose their voting record, but do not publicly disclose their voting rationales. However, they were able to disclose their rationales for votes in this report.

## Votes in favour of management and abstentions:

Threadneedle Asset Management (Threadneedle) voted against management at all of the AGMs in the study where their clients held shares. The rationales provided for their decisions reflect concerns held by a number of investors about the resolutions. When voting against remuneration reports, their rationales focussed on objections to high pay which lacked linkage to performance, which they did not feel benefited shareholders. Their Corporate Governance and Proxy Voting Principles<sup>35</sup> state that they “expect a significant proportion of executive pay to be performance linked with outcomes that are clearly aligned with the experiences of shareholders”. When voting on shareholder resolutions Threadneedle’s Corporate Governance and Proxy Voting principles state that “We will consider supporting non-binding shareholder resolutions where the broad thrust of the proposal is aligned with our policy views, addresses an area where improvement would be welcome. For binding resolutions the proposal must be proportionate, in shareholder interests, focused on improving the reputation and quality of a company’s operations and practices, as well as being aligned with our policy objectives and best practice.” They stated that they voted for shareholder resolutions to improve Chevron’s reporting on hydraulic fracturing impacts as it is “in line with our PRI and engagement work on fracking, which consistently highlights that related risks are being systematically underreported” and to require Chevron to have a director nominee with environmental experience “to ensure they have a greater understanding of environmental risks and related good practice.” They voted to support the shareholder resolution for ExxonMobil to introduce quantitative goals for reducing GHG emissions “given the company’s practices and disclosures do not conform to the standards of good practice we would expect and need improvement” and for the resolution to expand the remit of the Safety and Environment Committee at National Express “following engagement with both the company and the requisitionists” in order to address “concerns about the issues and allegations of bad practice at the company, the financial settlements it has had to make as a result and ongoing risks that exist.” Threadneedle appears to have robust voting policies and practices, however there are still opportunities for investors to engage with them:

- Q Although they disclosed their rationales for this study, Threadneedle do not publicly disclose their rationales for votes either for or against management, so investors may wish to ask Threadneedle if they would consider doing this.
- Q Investors may wish to ask Threadneedle how they will continue to engage with these companies on the issues which caused them to vote against management.

## Recommendations

- That Threadneedle publicly disclose their rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>35</sup> [http://www.columbiathreadneedle.co.uk/media/1392381/en\\_corporate\\_governance\\_policy.pdf](http://www.columbiathreadneedle.co.uk/media/1392381/en_corporate_governance_policy.pdf)

# UBS Global Asset Management

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## Disclosure:

UBS Global Asset Management (UBS) publicly disclose their voting record and their rationales for votes against management. They were able to disclose their rationale for votes with management for this study.

## Votes in favour of management and abstentions:

- **AstraZeneca, re-election of Jean-Philippe Courtois:** UBS stated that they voted for the re-election of Jean-Philippe Courtois on the basis that “The candidate brings valuable US & Technology business skills to the board.” Investors may wish to ask:  
**Q** How they assessed the ability of Jean-Philippe Courtois to use his skills to assist the board, considering the number of meetings missed
- **BG Group, approve remuneration report:** UBS voted for the remuneration report at BG Group on the basis that “In the context of management changes that had taken place, we determined that it was in shareholders’ best interests to vote in favour”. Investors may wish to ask  
**Q** Whether they will be engaging with BG Group about pay levels, which other investors considered excessive, to ensure that pay provides value for shareholders in future
- **Chevron, report on hydraulic fracturing impacts and require director nominee with environmental expertise, and ExxonMobil, introduce quantitative goals for reducing GHG emissions:** UBS voted with management’s recommendations against the shareholder resolutions at Chevron and ExxonMobil as “While recognising the importance of the issues, we believe there are better ways to address these issues than through a proxy proposal.” Investors may wish to ask:  
**Q** How they intend to raise the issues outlined in the shareholder resolutions at Chevron and ExxonMobil.
- **National Express, broaden remit of safety and environment committee:** They voted against the shareholder resolution at National Express Group on the basis that “Following extensive engagement with the company, we were satisfied that the company has sufficient regard towards safety and workers’ rights and has awareness at board level of the issues raised.” Investors may wish to ask:  
**Q** How they will continue to engage with National Express on workers’ rights, to make sure that the board remain aware and issues are addressed
- **Reckitt Benckiser, approve remuneration report:** UBS voted for Reckitt Benckiser’s remuneration report on the basis that “Our vote reflected a recognition of improvements made to remuneration arrangements.” Investors may wish to ask:  
**Q** How they will engage with Reckitt Benckiser’s new management on executive bonuses, and to ensure that the remuneration committee is suitably independent

## Recommendations:

- That UBS publicly disclose their rationales for all votes with management where a significant number of shareholders voted against the resolution.

# Wellington Management

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## Disclosure:

Wellington Management do not publicly disclose their voting record so it is not possible to assess how they voted on the resolutions in this study. Their response to the FRC Stewardship Code<sup>36</sup> states “We do not disclose proxy votes publicly, but do provide the relevant data to support public disclosure by those clients that are required to do so by law. Our actual votes on behalf of a given client or pool are a matter of record for that client or pool, and are disclosed to the respective party in the reports they are entitled to receive.” They also do not appear to publicly disclose their voting policy. Investors may wish to ask Wellington Management:

- Q For a copy of their voting policy and how it was applied to the votes in this study.
- Q Whether they would consider publicly disclosing their voting policies, reports and rationales in future.

## Recommendations:

- That Wellington Management publicly disclose their voting record for at least the last year, including rationales for all votes against management and votes with management where there was a significant level of shareholder dissent

<sup>36</sup> [https://www.wellington.com/sites/wellington.com/files/UK\\_stewardship\\_code.pdf](https://www.wellington.com/sites/wellington.com/files/UK_stewardship_code.pdf)





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