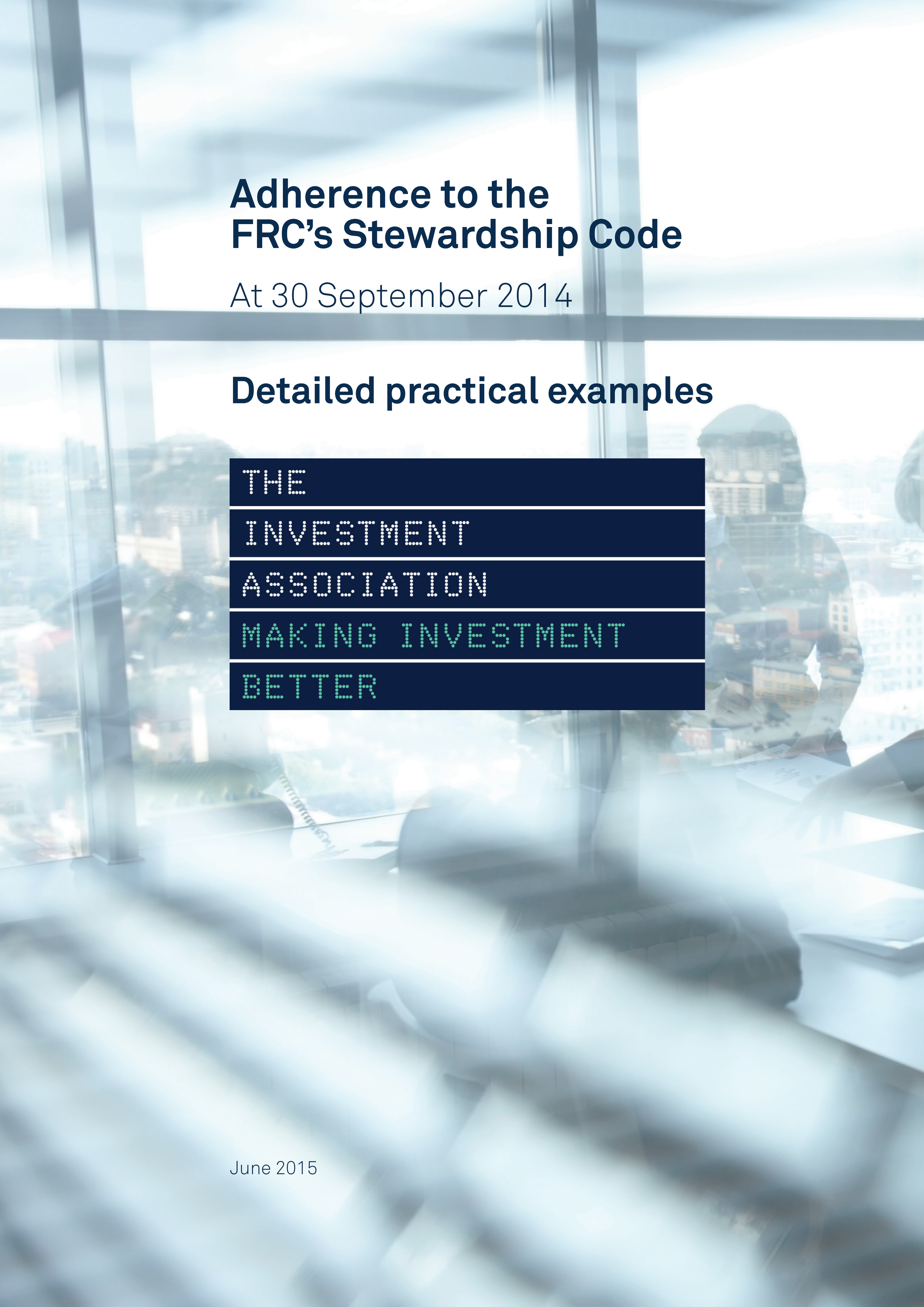

Adherence to the FRC's Stewardship Code

At 30 September 2014

Detailed practical examples

THE INVESTMENT ASSOCIATION

MAKING INVESTMENT BETTER

June 2015

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June 2015

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ASTRAZENECA PLC

BACKGROUND

In April 2014, Pfizer launched a bid to take over AstraZeneca which sparked concerns both in the UK on the potential loss of jobs and in the US on the implications of Pfizer's tax residence moving to the UK[1]. Shareholder opinion was reportedly divided with some favouring the offer and others supporting AstraZeneca's prospects on its own[2] while AstraZeneca itself responded by setting new long-term financial targets highlighting its potential as an independent company[3]. Ultimately, Pfizer withdrew its £69.4bn final offer in May 2014.

Despite the fall in the share price following the end of the talks with Pfizer and the expected decline in revenue as certain drug patents expire over the next two years, AstraZeneca reported higher than forecast second-quarter sales and earnings in July 2014[4].

At the Annual General Meeting on 24 April 2014, shareholders were concerned about executive pay, with 38 per cent voting against Resolution 6 to approve the Remuneration Report. Moreover, Resolution 5h to re-elect Jean-Philippe Courtois, a non-executive director, received 43 per cent of votes against[5] due to his poor attendance at board and audit committee meetings[6].

A spokesperson for AstraZeneca said: "We are disappointed with today's vote and it is our priority to carefully analyse it and talk to our shareholders to fully understand any concerns. ... we have had only limited feedback from shareholders on the topic of remuneration in the run-up to the AGM[7]".

OBJECTIVES

Thirty of the 52 respondents with a holding engaged with AstraZeneca (Chart I). For 15, the main reason was to discuss the bid from Pfizer and particularly the rationale for dismissing it. For example, respondents wished to:

- *"Understand the process that the management team and board employed when considering the offer from Pfizer; how the board oversaw and approved the strategic plan and implied long-term valuation of the company which was developed in response to the hostile takeover; understand the extent to which the board was acting in the interest of shareholders in relation to other interested stakeholders."*

- *"... get a better understanding of both the process by which the board discussed and determined the appropriateness of the offer and the subsequent decision to decline the offer. ... to discuss [the company's management] view that the offer(s) undervalued the company."*

Four respondents had discussions about the Pfizer bid but also engaged on operational and strategic issues, and four on the Pfizer bid and remuneration. For example:

- *"Our engagement objectives over the year focused on encouraging the company to ensure that the targets reflect management's projections for the performance and value of the company and on promoting the issue of cyber risk as a key topic for the board. ... In order to gain comfort on bribery and corruption risks, we also discussed how pay structures and risk controls are applied globally across the organisation. On audit we challenged the audit committee chair on how the committee satisfies itself of the quality of the audit."*

- *"We engaged on the Board's position relating to the proposals from Pfizer and also to ensure that the Company's remuneration policy and practices and the performance targets on which executive remuneration is based reflected the board's view that the Pfizer offer did not fully reflect the company's long-term prospects."*

- *"... We expressed the importance of directors attending meetings to fulfil their duty and provide board oversight. We also wanted to understand any changes the company was planning with regards to their executive pay structure ... [and]... to know level of board engagement with both Pfizer and their shareholder[s] regarding the offer for Pfizer."*

Six respondents engaged on operational and strategic issues only (and not on the Pfizer bid) such as the company's plans for business development, effectiveness of R&D and progress with the drug pipeline.

Four respondents were concerned about remuneration and specifically the decision *"to increase the award under the LTIP and to reissue the special award under the AZIP in the context of a large percentage of dissent against the remuneration report at the AGM".*

1 Financial Times, 26 May 2014
2 Financial Times, 19 May 2014
3 Financial Times, 6 May 2014
4 Reuters.co.uk, 31 July 2014
5 Astrazeneca.com
6 The Guardian, 24 April 2014
7 The Guardian, 24 April 2014

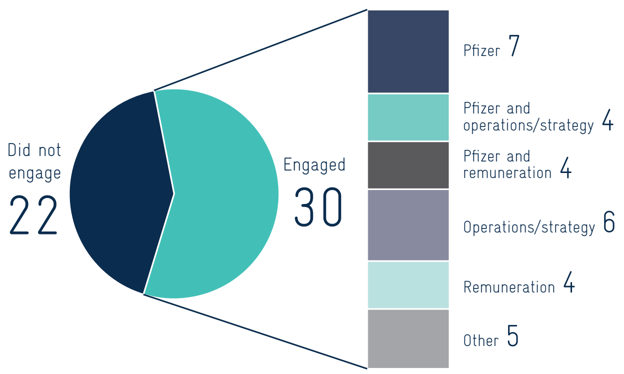
Other issues on which respondents engaged included business culture and ethics, to gain a better understanding of business and to inform the company of the rationale for specific voting decisions.

The main reasons why those with a holding did not engage were that AstraZeneca did not meet their engagement criteria or their holding was too small. For example, one respondent clarified that: *"We were outside the top 25 shareholders and the company was unable to speak to all institutional shareholders about the Pfizer talks. This was disappointing and we made this known via their corporate broker. ..."*

Three respondents were aware of the issues but did not engage for various reasons, such as they were content with management's performance. A further two respondents did not engage because AstraZeneca was not part of an investment strategy where they would engage and another stated:

"The proposed takeover by Pfizer was being discussed and we wanted to see if this would take place before engaging with the company. We will engage with the company regarding the poor attendance of [Jean-Philippe Courtois] if he is still on next year's slate. Given the size of our holding, we do not expect to be contacted by the company as part of its shareholder engagement."

CHART I: ENGAGEMENT WITH ASTRAZENECA
No. of respondents



None of the Service Providers engaged with AstraZeneca, with four clarifying that:

- one did not have a holding.
- AstraZeneca was not included in an engagement programme.
- one only researched about AstraZeneca.
- engagement was delegated to asset managers.

QUALITY AND OUTCOME OF ENGAGEMENT

Fourteen of the respondents that engaged found the engagement good, with some specifying that this was due to AstraZeneca being responsive to their concerns. For example:

- *"We have noted a significant improvement in the quality of engagement since the company changed its chairman. We have also noted a large increase in the level of communication from the company following Pfizer's approach."*
- *"In our meeting with the company we met with a senior specialist member of staff who was able to provide a high standard of information. We saw the meeting as an opportunity to understand how the company is dealing with business conduct issues, including the risk management and control systems in place."*
- *"The Company provided a clear and confident summary of where they are and what is ahead of them. We came out more positive than we went in. In particular we believe they are in a stronger position if Pfizer bid again, and they have also taken on board criticism of shareholders regarding handling of the bid. ..."*
- *"The issues of concern were discussed at the highest level of representation with the company, with our fund managers actively involved in the engagement with the company which underlined the importance of the engagement objectives."*

The engagement was average for twelve respondents for various reasons. Explanations included:

- *"We felt that the company were positive on engagement but not so on change."*
- *"The chairman provided a very different account of events compared with the management of Pfizer. Because the issues became very political, [Asset Manager] focused on how the board approached seeking the best outcome for shareholders. The board sought to focus discussions on AstraZeneca's new pipeline of drugs and projected earnings which were difficult to verify as shareholders. The chairman outlined the process but was unable to give the level of confidence required to really believe the vision and strategy of the board. Nevertheless, the Pfizer deal and the social, economic and political consequences represented an even greater risk. Therefore, while we did not come out in strong support of either party, we agreed to tentatively*

back the AstraZeneca board on the understanding that management's delivery of the strategic plan will come under intense scrutiny in the coming years."

- *"... AstraZeneca was accessible to shareholders but we were not wholly convinced with their reasoning for the lack of dialogue. Our premise was not to push for a deal, but in terms of good stewardship we thought it is appropriate for [AstraZeneca] to be more open to dialogue. We were able to express our views, enhance our understanding of the situation and further our relationship with the Company. ..."*

Three respondents considered the engagement bad with one explaining that AstraZeneca's board *"failed to provide adequate justification for its actions"* and the other clarifying that although it has good relations with the company, it didn't have direct access to senior management during the bid.

Still, the majority of respondents (23) felt engagement was fully or partly successful mainly due to the company's responsiveness and willingness to discuss investors' concerns. In several cases engagement is on-going, particularly around remuneration issues. For example, respondents stated:

- *"We were pleased by the willingness to engage with us and the high quality answers to the majority of our questions. We are likely to meet with the company to follow up on some outstanding questions and to assess progress they are making."*
- *"We were able to convey our views regarding remuneration outcomes and policy however the company has yet to engage with us further to discuss how these issues will be addressed going forward."*
- *"... only partly successful as engagement is on-going and the success will depend on how the Company performs against ... KPIs and how it communicates with shareholders."*

Four respondents did not achieve their objectives which related to the bid by Pfizer and concerns about remuneration. For example:

- *"Pay issues remain outstanding [and] we would like to see a link with the rejected bid and pay. While we understand management's increased confidence in projections, we were not convinced about the dialog with Pfizer."*
- *"Our concerns regarding [executive remuneration] remain, despite highlighting our concerns for a number of years now. We note that at the 2014 AGM there was a significant vote against (and abstain) on Resolution 6 – to approve the remuneration report – so we would expect the company to come back to shareholders ahead of the 2015 AGM."*

Only two respondents changed their holding as a result of their engagement with one specifying that it was reduced.

DETAILS OF ENGAGEMENT

Contact with AstraZeneca

Twenty-seven respondents contacted AstraZeneca 116 times, averaging over four contacts per respondent. The majority of communication was with the Executive Directors – 45 contacts – followed by Investor Relations and the Chairman – with 39 and 25 contacts respectively. A number of respondents also communicated with Management, the Company Secretary, the Senior Independent Director and the Chair of the Remuneration Committee (Table I).

TABLE I: **NUMBER OF CONTACTS AND WHO WITH**

	No. of contacts	No. of respondents
Chairman	25	15
Senior Independent Director	10	6
Remuneration Committee Chair	8	7
Audit Committee Chair	3	3
Other Non-Executive Directors	1	1
Executive Directors	45	16
Management	20	10
Company Secretary	11	9
Investor Relations	39	14
Total[8]	**116**	**27**

In most cases, respondents' contact was by the portfolio managers and analysts; 16 respondents did so 72 times. For 13 respondents, dedicated specialists had 34 contacts whereas for nine respondents portfolio managers/analysts with dedicated

8 This is the overall number of contacts with company representatives as opposed to the number of contacts with each of the individuals above.

specialists had 23 contacts (Table II).

TABLE II: NUMBER OF CONTACTS AND WHO BY

	No. of contacts	No. of respondents
Portfolio managers/analysts only	72	16
Dedicated specialists only	34	13
Portfolio managers/analysts and dedicated specialists	23	9

Contact with other investors

Eight respondents initiated collaboration with other investors. One attended a joint meeting with the company and one entered a collective agreement to vote the same way. Six respondents contacted other investors to share information and discuss the approach to the Pfizer bid.

Five respondents found collaboration effective and one stated that *"it was helpful for each investor to share thoughts on the subject to allow for a more balanced judgement. While there was still disagreement, we consider that all investors benefited from the process as a means of changing or validating their views."*

Three respondents did not find collaboration helpful. One explained that the engagement objective was not achieved and one that other investors were "*unwilling to go public with concerns*". The third clarified that although other investors had the same objective of convincing the company to engage with Pfizer *"the Board remained inflexible".*

2014 AGM

None of the respondents that engaged with AstraZeneca attended the AGM in April 2014[9].

RESOLUTION 5H, TO RE-ELECT JEAN-PHILIPPE COURTOIS AS A DIRECTOR

A little over half of the respondents that engaged voted in favour of re-electing Jean-Philippe Courtois. They felt that attendance issues should be discussed and that he could add value to the Board (Table III). For example:

- *"While noting the nominees attendance records for ad hoc meetings was less than desirable, [Asset Manager] considered that the nominee's attendance at scheduled meetings was acceptable and that he brought useful expertise to the board."*
- *"While we recognise Courtois' lack of attendance we believe this is best addressed through engagement to understand the reasons for it and press for change if necessary through the Chair."*
- *"[We] voted for the re-election ... as [we] wanted to give the company a chance to explain his poor attendance."*

Nevertheless, 13 respondents voted against this Resolution. This was not only due to poor attendance but also the lack of any explanation as to why. For example:

- *"Directors are expected to attend all board meetings. Attendance is crucial for making valuable contributions to the board and fulfilling fiduciary duties."*
- *"In 2013 we voted against his re-election due to his poor meeting attendance rate without adequate explanation. His attendance has been on a downward trajectory over recent years. As this was also the case in 2014 (again, without adequate explanation) a vote against was again considered appropriate."*
- *"We noted the board and committee meetings missed by Mr Courtois for the second consecutive year and the absence of any explanation as to why these were not attended."*

9 Two respondents did not state whether they attended.

RESOLUTION 6, TO APPROVE THE ANNUAL REPORT ON REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2013

The majority of respondents voted against Resolution 6 to approve the remuneration report. This was due to concerns over the level of disclosure and that remuneration was not aligned with shareholder interests. For example:

- *"... we did not believe that the remuneration report (on how the policy is implemented) satisfied best practice. We believed that there were shortfalls on disclosure regarding the performance targets for the PSP; a discretionary award was made to the departing CFO which did not appear to be in line with the policy; the was a substantial increase in the pension contribution of the CEO based on benchmarking."*
- *"[Asset Manager] voted against due to concerns about the Remuneration Committee's use of discretion to permit the former CFO to retain his deferred shares on leaving the company which is contrary to the rules of the scheme. The level of disclosure regarding the performance conditions linked to the company's long-term incentive plan also lacked transparency. In relation to this issue we also voted against the chair of the Remuneration Committee."*
- *"The Remuneration approach did not satisfy our responsible investment criteria and triggered the mechanism that reflects our clients' ethical concerns about excessive executive pay. Particular concerns included balance between CEO incentives and performance, legacy contractual issues and the quantum of pay awards."*
- *"We considered the overall level of awards and benefits to be excessive. A 'golden hello' was granted in the recruitment of Mr Dunoyer. We do not support ex-gratia awards absent of performance conditions."*
- *"We voted against the Remuneration Report principally because the level of information provided, particularly around the bonus, was not sufficient to allow us gauge performance relative to rewards received. While we understand commercial sensitivity, in such cases we would expect retrospective disclosure and detailed explanation to support the payment of bonuses which were close to the maximum bonus opportunity."*

There were, however, five respondents that considered AstraZeneca had provided sufficient explanation of the remuneration arrangements and voted in favour of this Resolution. One respondent also noted that it had engaged on this issue and voted against the Remuneration Report in the past but that this time did not oppose it as it noted *"improvements in both the structures and the quality of engagement"*.

TABLE III: RESOLUTIONS 5H AND 6

	Resolutions 5H	6
	No. of respondents	
For	17	5
Against	13	25
Abstain	0	0

Ten of the respondents that voted against either Resolution 5h or 6 notified AstraZeneca of their intention to do so in advance.

CONFLICTS

Two of the 30 respondents that engaged noted a conflict of interest. For one, AstraZeneca was also a client. For the other, a non-executive director of AstraZeneca was on the board of its parent. This conflict was addressed by the individual concerned not taking part in any of the discussions with AstraZeneca or on voting AstraZeneca's shares.

EXPERIAN PLC

BACKGROUND

Prior to Experian's 2014 Annual General Meeting and beginning in autumn 2013, Experian consulted extensively with its shareholders and with institutional investor bodies, and (as recommended in the UK Corporate Governance Code) provided them with a comprehensive explanation for succession planning changes[10]. The Institute of Directors went public on concerns that the changes did not follow the recommended principles in the UK Corporate Governance Code[11]. At the Annual General meeting the founder of Experian, Sir John Peace, was to step down as Chairman and be replaced by the Chief Executive Officer, Don Robert. Don Robert was replaced at the Annual General Meeting as Chief Executive Officer by the Chief Financial Officer, Brian Cassin.

At the Annual General Meeting on 16 July 2014, Resolution 10, to re-elect Don Robert as a director received 89 per cent of votes for and 11 per cent of votes against. Experian commented that: "the Board places enormous value on Don remaining with the business, particularly given the retirement of founder Sir John Peace. ... We endeavour to listen carefully to our shareholders and are always happy to engage with any investors on this or any other resolution that was put to today's meeting[12]".

Resolutions 2, to approve the Remuneration Report, and 3, to approve the Remuneration Policy received 14 and 12 per cent of votes against, respectively[13].

OBJECTIVES

Twenty-five of the 41 respondents with a holding engaged with Experian (Chart II). The main concern for six respondents related to board succession:

- *"We wanted to achieve an enhanced understanding of the proposed CEO to Chairman transition and the CFO succession to CEO. Furthermore, we wanted information on how the board would be led and how shareholder expectations on a strong governance structure and productive board dynamics would be met under the new regime. ... We understood the rationale for Don Robert to succeed the Chairman and the qualities, insight and experience he brings. The company also alerted us to the accompanying non-executive refreshment which was positioned to reinforce the commitment to good governance."*
- *"We discussed importance of 'continuity' given that the CFO who was becoming the CEO has been with the business for a short time. We also wanted to understand how the current CEO becoming the Chairman will manage the transition. We had a general concern that good CEOs don't always make good Chairman and the risks of not being able to 'let go' of their day to day tasks. ... We also discussed the progress made in integration of the acquisitions made over the last two years. Finally, given the number of internal candidates moving on to the key positions, we communicated to the company the need to strengthen independent voice at the board level."*

A further six respondents engaged on remuneration, some following the consultation initiated by Experian:

- *"Over the last couple of years we have had meetings/discussions with the company regarding executive pay arrangements and as a result we were hoping to see a reduction in quantum, a simplified incentive structure and the end of the multiple use of the same performance targets [profit before tax] across [three] incentive schemes."*
- *"[Asset Manager] responded to the remuneration consultation initiated by the board. We did not have major concerns over succession planning at the company. On remuneration we were concerned that profit before tax (PBT) determines a large portion of pay-out under both the annual bonus scheme and long-term incentives and that the level of a return on capital employed (ROCE) underpin was not disclosed even retrospectively. We encouraged the company to 1) reduce the portion of incentives determined by PBT; 2) disclose the ROCE underpin and 3) introduce additional performance targets such as EPS which is less influenced by M&A activity than PBT."*

Some respondents engaged to discuss strategy and performance, and others had various objectives such as gaining a better understanding of the business or informing about voting intentions.

Sixteen respondents had a holding but did not engage, mostly because their holding was too small or did not fulfil other engagement criteria, for example it was held as part of an index strategy. One respondent clarified that it had prioritised other engagements but intended to *"meet with the new Chairman and senior independent director in [2015] to understand how concerns over the lack of independence of the Chairman are being addressed"*. A further two respondents stated that they were not concerned and had sufficient information.

[10] Information provided by Experian.

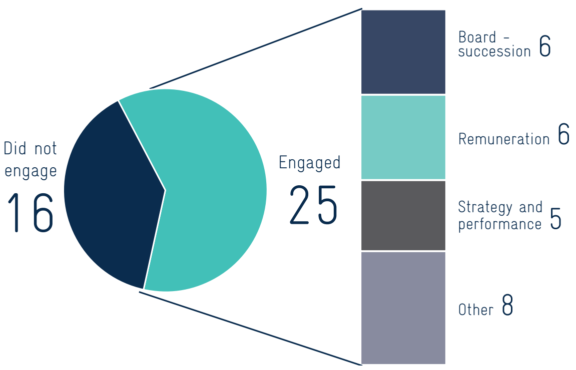
[11] The Guardian, 15 July 2014

[12] The Guardian, 16 July 2014

[13] Experianplc.com

CHART II: ENGAGEMENT WITH EXPERIAN

No. of respondents



Whilst Experian reported that it met and had ongoing engagement with the ABI, NAPF and ISS/REV, none of the Service Provider respondents reported engagement with Experian. One explained that Experian was included in their research and another that engagement is delegated to investment managers. One Service Provider stated: *"We enable our clients ... to have a continuous dialogue with the issuers however without substituting them in the engagement process. After the proxy season, [Service Provider] organises a round-table session with our clients to select one or two key topics of engagements. This company was not included in any engagement program."*

QUALITY AND OUTCOME OF ENGAGEMENT

Twelve of the 25 respondents[14] that engaged considered the engagement good, mainly because Experian responded to their concerns. For example:

- *"The company reached out to us early in the process of finding a successor to Sir John Peace and engaged with us constructively."*
- *"The company followed the UK [Corporate Governance] Code guidance of consulting shareholders when considering for the CEO *

  becoming Chairman, and made a clear business case for the proposals."
- *"We strongly expressed our concerns over the complete regime change at senior management and management took our comments on board. Management is always available for meetings, even at short notice, and is very keen to listen and engage with its shareholders."*

Ten respondents found the engagement average largely because succession planning could have been better and Experian more open to suggestions. For example:

- *"The announcement about succession planning was made without giving shareholders the option to influence the outcome."*
- *"There was little prospect of the company changing its mind over the appointment of the former CEO as Chairman. Equally, the company would have had to provide a pretty compelling response to persuade us to not vote against. Although they responded, it did not add new information."*
- *"We got clarity over the new appointment and changes at the top level, but we felt the company did not go as far as they could have in having a planned succession."*

Overall, six respondents considered their engagement fully and 13 partly successful broadly due to the effective dialogue with Experian[15]. For example:

- *"We reached agreement with the company on the changes being recommended."*
- *"The engagement allowed us to better understand the context which led to the company's decisions around leadership positions."*
- *"... we feel that the senior independent director ... is of a sufficiently high calibre to counter balance the new Chairman and the array of non-executive directors ... are also very strong. ... On remuneration, we continue to have open and honest discussions with the company and whilst there were a number of good decisions made during the year, particularly in respect of Lloyd Pitchford's buyout awards, we are disappointed that the company hasn't addressed our concerns."*

However, one respondent did not achieve its objective: *"we pushed our view but no real changes were implemented".*

Two respondents changed their holding – one reduced it and the other sold its investment: *"We sold our position as we progressed through the year, as we were concerned by the trajectory of earnings, returns and the relative valuation."*

14 Three respondents did not rank the quality of engagement.

15 Five did not respond.

DETAILS OF ENGAGEMENT

Contact with Experian

Nineteen respondents noted a total of 42 contacts, an average of just over two each. Communication was largely with Investor Relations and the Company Secretary – 15 and 10 contacts respectively – followed by the Chairman and the Senior Independent Director (Table IV).

TABLE IV: NUMBER OF CONTACTS AND WHO WITH

	No. of contacts	No. of respondents
Chairman	6	5
Senior Independent Director	5	5
Remuneration Committee Chair	2	2
Audit Committee Chair	0	0
Other Non-Executive Directors	0	0
Executive Directors	4	3
Management	6	4
Company Secretary	10	7
Investor Relations	15	9
Total	**42**	**19**

Contact was mainly by portfolio managers and analysts – 28 contacts by 11 respondents. For 10 respondents, dedicated specialists had 14 contacts (Table V).

TABLE V: NUMBER OF CONTACTS AND WHO BY

	No. of contacts	No. of respondents
Portfolio managers/analysts only	28	11
Dedicated specialists only	14	10
Portfolio managers/analysts and dedicated specialists	5	3

Contact with other investors

Only two respondents collaborated with other investors. One approached an established group and entered a collective agreement to vote the same way. The other was approached by the NAPF and also sent a joint letter with an Asset Owner informing Experian of their voting intentions. The latter specified that the collaboration was effective whereas the former did not comment on the effectiveness of the collaboration.

2014 AGM

One respondent attended the 2014 AGM but did not declare itself as a shareholder representative.

RESOLUTION 2, APPROVAL OF THE REPORT ON DIRECTORS' REMUNERATION

Fifteen respondents voted in favour of Resolution 2 to approve the remuneration report. This was mainly as it was in line with their voting policy and they were satisfied with the company's performance (Table VI). For example:

- *"Pay [was] in line with performance and there is a commitment to disclose performance targets."*
- *"We are happy with overall company performance and therefore happy with the levels of pay set in the remuneration report."*
- *"[Asset Manager] supported the remuneration report as we did not consider there to be any issues that represented a significant concern to warrant a vote against or abstain. [Asset Manager] has been involved in various pay engagements with the company and previously have had many conversations surrounding quantum. However, in this case we were comfortable with supporting the item."*

Nevertheless, seven respondents were concerned regarding both the magnitude of pay and the performance metrics used. Statements included the following:

- *"There is a lack of adequate disclosure on the performance targets met for awards made during the year and an over reliance on one target measure in our view. We would welcome different measures for different awards and the inclusion of a returns criteria within them. The current system of [Profit Before Tax] benchmarked against peer average would benefit from greater disclosure and an explicit focus on returns."*
- *"... We would prefer a more simple deferral requirement of the bonus without matching awards which would help address the issue of quantum, the complexity of schemes and the multiple use of targets across numerous schemes. We also think there should be more emphasis on total*

shareholder return in the long term incentive arrangements. ..."

- *"We note the significant increase to Mr Cassin's salary, and recognise that his pay was set lower than the outgoing CEO. We would welcome better retrospective disclosure of annual bonus targets. We note the recruitment awards for Mr Pitchford and are not supportive of the agreement to pay a target annual bonus regardless of performance, however, improvements have been made with the inclusion of performance targets for most of the awards..."*

- *"We had concerns about the overlap of the PBT targets across remuneration schemes but also the significant increase and high level of Chairman fees to be paid to Mr Robert. We encouraged the company to give further justification."*

RESOLUTION 3, APPROVAL OF THE DIRECTORS' REMUNERATION POLICY

Similar to Resolution 2, most respondents voted in favour of Resolution 3 to approve the remuneration policy and did not consider it controversial. For example, one respondent considered the link to short and long-term performance sufficient. Another noted that *"some performance metrics are not ideal"* but was *"happy with the overall alignment of performance and shareholder value".*

Six respondents voted against and two abstained mainly on the grounds that the recruitment policy could result in pay being too high. For example:

- *"We have concerns about the potential maximums in exceptional circumstances under the plan, particularly for recruitment awards. This is in light of our concerns regarding the Committee's application of recruitment awards previously. ..."*

- *"[There was] poor balance between fixed and variable pay (variable could be up to 800% of fixed); lack of 'non-financial' metrics within executive pay structure; vesting targets for long-term incentives not considered to be sufficiently stretching..."*

RESOLUTION 10, TO RE-ELECT DON ROBERT AS A DIRECTOR

Twelve respondents supported the re-election of Don Robert as following discussions they were reassured particularly given his experience. For example:

- *"We were supportive of the CEO's move to the Chairman's role, whilst this move is not in line with Corporate Governance Code, we believe it was in the best interests of the company. We believe that John Peace's departure from the board is sensible."*

- *"Whilst we note the concern of transferring the CEO to the Chairman position and thus the potential risk of a lack of independent oversight, in this instance we know the company very well and believe the company will benefit hugely from the continued skills and thorough company knowledge that Don Robert will bring with him to the Chairman position. We are also happy with the levels of independence amongst the rest of the Board (67%)."*

- *"Under normal circumstances, we would have not supported the re-election of Don Robert as he is moving from the position of CEO to Non-executive Chairman. We generally consider it inappropriate .... However, the company is mindful of the contraventions in good governance that this situation presents and in January 2014 launched a proactive series of meetings with their top 15 shareholders, which we fall into. After careful consideration of the specific qualities of the company and their board, we confirmed we are comfortable with the proposed changes..."*

Despite Experian's assurances, some respondents were still concerned about the lack of independence and six voted against Don Robert's re-election and four abstained. Explanations included:

- *"...While we note the board's rationale for appointing Mr Robert, we believe the Chairman should be fully independent on appointment to ensure independent oversight of company management as recommended by the UK Corporate Governance Code. ..."*

- *"...Although we accept that continuity is important following the loss of Chairman and Deputy Chairman independent board oversight is also critical. We note the CEO appointment is internal which further reduces the potential for a clear separation of power at the head of the company and we are unable to support this proposal."*

- *"...The appointment of a CEO as Chairman contravenes with the UK Corporate Governance Code hence our decision to abstain. Experian did consult with all shareholders and we understood the rationale behind the decision however we continued to be concerned by the complete change in senior management. We did not inform the company in advance of our decision to abstain."*

TABLE VI: RESOLUTIONS 2, 3 AND 10

	Resolutions 2	Resolutions 3	Resolutions 10
	No. of respondents		
For	15	14	12
Against	4	6	6
Abstain	3	2	4

Nine of the respondents who abstained or voted against, communicated their decision to Experian.

CONFLICTS

None of the respondents noted a conflict of interest.

COMPANY PERSPECTIVE

Experian made the following comments:

"Don Robert brings considerable value to Experian and has unrivalled, deep knowledge of the business built up over his highly successful time as Chief Executive Officer. At the time the appointment was announced in January 2014, one of Experian's top shareholders publically said they were happy that "deep company and industry expertise will be secured"[16]. The UK Corporate Governance Code states that, "if exceptionally, a board decides that a chief executive should become chairman, the board should consult major shareholders in advance and should set out its reason to shareholders at the time of the appointment and in the next annual report". Experian undertook a comprehensive engagement process regarding Don Robert's appointment as Chairman, in line with the UK Corporate Governance Code, which included the following distinct phases:

- *Initial feedback was sought from major shareholders on the Chairman role. The Experian Nomination & Corporate Governance Committee received and considered that feedback at one of the many meetings at which it considered the Chairman role.*
- *Shareholder feedback was again sought at a later date on the Chairman and CEO appointments and additional safeguards to be put in place to ensure sufficient independence, checks and balances and challenge on the Board, Again, this feedback was considered by the Experian plc Nomination & Corporate Governance Committee before making any recommendation.*
- *Once the appointments were approved by the Board, pre-announcement engagement took place with a broader cross section of shareholders.*
- *Following the announcement of the changes on 16 January 2014, a letter was sent to shareholders explaining the rationale for the changes and further engagement took place with shareholders and institutional investor bodies.*
- *Since then, further meetings have been held between the Deputy Chairman/Senior Independent Director and shareholders.*
- *The appointment was explained in detail at the time of appointment[17] and in the Experian Annual Report 2014[18].*

Overall, Experian found the engagement process to be constructive, valuable and informative. Generally, Experian found shareholders engaged well and were in the main supportive of the proposals, given the safeguards put in place. ISS recommended[19] a vote in favour of the proposals for shareholders with a fiduciary responsibility to vote for or against, and who do not recognise abstention as a valid option.

As it does every year, Experian also engaged with its top shareholders and institutional investor bodies regarding remuneration ahead of the 2014 Annual General Meeting. A letter explaining proposed remuneration arrangements for executive directors was sent in May 2014, with calls also taking place. Overall, Experian considered the response from shareholders and institutional investor bodies to be positive, with 85.9% and 87.4% of votes cast were in favour of the resolutions to approve the Report on Directors' Remuneration and the Directors' Remuneration Policy respectively."

16 Financial Times, 16 January 2014

17 Experian RNS announcement, 16 January 2014

18 Experianplc.com, Annual Report 2014

19 ISS Proxy Advisory Services Report, published 27 June 2014 (not publicly available)

GLAXOSMITHKLINE PLC

BACKGROUND

The UK's Serious Fraud Office launched a criminal investigation into GlaxoSmithKline's commercial practices in May 2014 and US authorities also undertook an investigation[20]. Moreover, further revelations of bribery emerged in July 2014[21]. These instances dated back to 2001 and led to the dismissal of about thirty GSK employees. The Chinese authorities concluded their investigation into the company's business in China in September 2014[22].

Despite these issues, a profit warning in July 2014, a decline in revenues and a drop in the share price of 14 per cent since 2013[23], industry analysts predicted that GSK's dividend, which is above the sector's average, was not under threat[24].

At the Annual General Meeting on 7 May 2014, all the resolutions passed with a very substantial majority. Resolution 4, to re-elect Sir Christopher Gent, Chairman of the Board and Chair of the Corporate Responsibility and Nominations committees, received over 4 per cent of votes against. Resolution 17, to re-elect non-executive director, Hans Wijers, received over 8 per cent of votes against[25].

OBJECTIVES

Thirty-eight out of 61 respondents with a holding engaged with GlaxoSmithKline (GSK). The bribery allegations in China was the topic that concerned investors most (Chart III). However, respondents also wanted to discuss succession planning, proposed changes in the remuneration policy, performance, as well as business conduct and culture. For example:

- *"... wanted to understand the proposed changes to the Performance Share Plan and remuneration policy in order to provide feedback .... We engaged with the Chairman to discuss board succession planning and the process which was underway in China regarding allegations of bribery and corruption. ... In respect of the allegations of bribery and corruption within the Chinese business, we engaged with the Director of Anti-Bribery and Corruption prevention. We wanted to identify the risks in China and other regions and understand what steps are being taken to address these risks. We wanted to encourage the company to consider applying some of the anti-corruption and bribery measures globally."*
- *"[We wanted] to get: (1) An update on performance against strategy; (2) An update on the China bribery issues; (3) An update on a successor for the chairman; (4) To make the Company aware of our concerns relating to executive pay and on non-audit fees..."*
- *"... We wanted to obtain an understanding of the issues that are impacting the company and how in general management and the Board are addressing the risks / issues of unethical sales practices and bribery. Furthermore, we wanted to gauge the company's view on the longer term reputational and financial ramifications of the aforementioned issues. This also included the impact on future relations with the Chinese government. On a separate matter, [Asset Manager] has been engaging with the company for a number of years, including the period under review on their approach to accounting for exceptional items. ..."*
- *"Our objectives with GSK over the year were to ensure a quality individual was found to succeed the chair and to ensure a full response to the bribery and corruption allegations in China. We are concerned by the apparent contradiction between the company's stated application of the same standards across all its operations globally and its recently initiated comprehensive compliance review in China. Particularly in light of the issues leading to the fine in the US in 2012, we were surprised to learn that some of the allegations in China are founded at least in part on what appears to be incentive structures that we had understood to have been reviewed as part of GSK's response to the issues. ... we understood that the company was struggling to find a successor for the chair. While highly supportive of the eventually announced appointment of Philip Hampton we believe that additional Asian and/or emerging markets experience is essential to bring to GSK's board."*
- *"Better understanding of the company's policies, procedures and actions in relation to various matters. Key amongst these were business performance, bribery & corruption, succession planning, executive remuneration, business ethics, access to medicines, whistleblowing and clinical trials."*

20 Economist.com, 4 July 2014

21 Financial Times, 16 July 2014

22 Financial Times, 19 September 2014

23 Financial Times, 27 July 2014

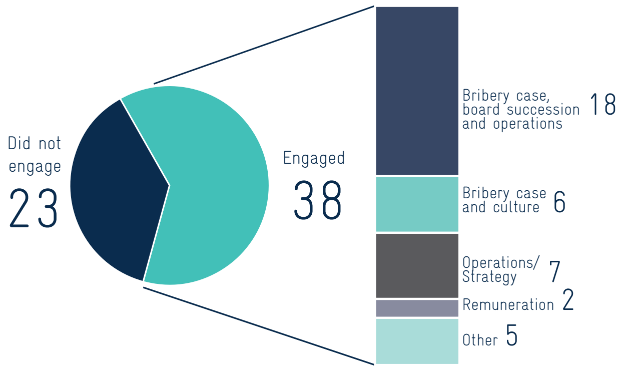
24 Reuters.co.uk, 29 July 2014

25 GSK.com

For the 23 respondents that had a holding but did not engage, the main reasons were that the holding was too small to influence, engagement criteria were not met, or there were no particular issues of concern. Two respondents clarified that they had engaged with GSK in 2013 with one stating it was *"waiting to see the outcome of the bribery investigations in GSK China and if this would have an impact at board level".*

CHART III: ENGAGEMENT WITH GLAXOSMITHKLINE

No. of respondents



None of the Service Providers engaged with GSK.

QUALITY AND OUTCOME OF ENGAGEMENT

The majority of respondents (25) that engaged considered the engagement good as GSK was *"very open to dialogue"* and the Chairman and other executives were willing to engage. To quote:

- *"The Chairman, non-executive directors and other company representatives were open to engage with shareholders and hear our views. Following constructive dialogue with the company, our views were considered and, in the case of remuneration policy, changes were implemented to reflect our views."*
- *"We are encouraged by progress made on new auditing and incentive systems, policies for payment of healthcare professionals and use of medical staff."*
- *"The company are looking to implement some ES&G changes we suggested in 2015."*
- *"The Chairman's willingness to engage on this subject indicates the high level of concern the company has for these issues."*

Nine respondents considered the engagement average principally because investigations were still underway at the time and GSK was not at liberty to discuss details of the case. For example:

- *"The company was limited in what it could say about Chinese sales practices until after a settlement. The press had already reported on the candidate for the chairman before the company formally made an announcement."*
- *"Provided some context for happenings in China but did not/could not go into any details so little comfort obtained from the meeting as to the root causes, solutions and commercial impact. The succession planning discussion had earlier in the year was an expression of long-standing concern over the direction of the company. However, practical changes are now likely to be catalysed by SFO investigation and poor performance."*
- *"We understand that companies are restricted in terms of what they can disclose due to the ongoing criminal investigations. Therefore, we are well aware that these engagements would be very high level in their nature. However, the key to ranking this engagement is how management and the board inform shareholders on how they have emerged from these issues and the measures and strategies implemented to mitigate future risks or similar risks elsewhere in the group. This is a longer term consideration."*

Only one respondent ranked engagement bad as it did not receive a response.

Almost all respondents (31) achieved their objectives, either partly or fully; although, for several, engagement is ongoing and it was too early to judge results particularly where culture is concerned. For example:

- *"… [in] light of drug mis-selling incidents, the company now remunerates its US commercial staff on factors such as improved patient care, customer satisfaction and company-wide performance rather than individual sales targets – and has committed to replicate this globally. Initial results have been positive (e.g. similar sales performance, low staff turnover, good customer feedback). We believe this is a ground breaking approach and have encouraged GSK to report key outcomes so that others in the sector can follow its lead."*

- *"With regards to the China bribery allegation, the company was not willing to openly discuss the issue until they finished their internal investigation. However, once they completed the investigations the level of disclosure met our expectations."*
- *"We got some updates on certain issues but not sufficient enough to feel totally comfortable regarding the company's governance and corporate responsibility practices."*
- *"The success of the engagement will be judged by long-term improvements to the company's culture and practices."*
- *"Shareholders have been one of a number of pressure points on the company. Consequently the board has been forced into some level of action. However, the board has not adequately addressed the issues of greatest concern to shareholders on matters related to strategy, risk management and leadership."*

Still, two respondents did not find their engagement successful, one because GSK had not responded to their concerns and the other because GSK still carried *"substantial investment risk"* and that there had been a *"disappointing succession process and non-responsiveness by the board to investor feedback".*

One respondent sold its holding in GSK as a result of the engagement. Moreover, one respondent that had a holding but did not engage reduced its holding *"due to continuing concerns over business ethics and performance".*

DETAILS OF ENGAGEMENT

Contact with GlaxoSmithKline

There were 156 contacts in total by 31 respondents, an average of five times per respondent. Most contacts were with Investor Relations and Executive Directors – 75 and 46 times by 20 and 17 respondents respectively. There was also extensive contact with the Chairman and Management – 29 and 25 contacts each (Table VII).

TABLE VII: NUMBER OF CONTACTS AND WHO WITH

	No. of contacts	No. of respondents
Chairman	29	21
Senior Independent Director	14	11
Remuneration Committee Chair	13	11
Audit Committee Chair	3	3
Other Non-Executive Directors	2	2
Executive Directors	46	17
Management	25	12
Company Secretary	16	10
Investor Relations	75	20
Total	**156**	**31**

In the majority of cases, GSK was contacted either by portfolio managers/analysts or by dedicated specialists – 67 and 56 contacts respectively. For ten respondents portfolio managers and specialists together had 22 contacts (Table VIII).

TABLE VIII: NUMBER OF CONTACTS AND WHO BY

	No. of contacts	No. of respondents
Portfolio managers/analysts only	67	21
Dedicated specialists only	56	17
Portfolio managers/analysts and dedicated specialists	22	10

Contact with other investors

Thirteen respondents collaborated with other investors. For ten, a third party – mainly an established group – initiated the collaboration. The collaboration generally took the form of joint meetings with GSK although one respondent entered an agreement to vote the same way, and four respondents simply discussed their concerns with other investors.

With the exception of one respondent, this collective engagement was considered effective as it showed that investors had similar concerns and allowed better access to GSK. Statements included:

- *"Collaboration ... allows us access to the Chair, NEDs and more senior members of staff than would otherwise be possible."*
- *"[Collaboration] provided support of like-minded investors."*
- *"The collaboration reflected the interests of several shareholders."*
- *"The engagement was conducted on a collaborative basis ensuring that the company was cognisant of shared concerns by its investors and underlining a desire to bring about real change."*

The one respondent whose collaboration was not effective clarified that this was because there was no agreement on the course of action.

2014 AGM

One respondent attended the AGM in May 2014 and another did not vote as it had sold its holding by then.

RESOLUTION 4, RE-ELECTION OF SIR CHRISTOPHER GENT

All respondents but one supported the re-election of Sir Christopher Gent (Table IX). The one that voted against did not provide an explanation but had informed GSK in advance.

The main reasons for the support were that it was considered the appropriate thing to do while GSK was under investigation and that his presence added value. To quote:

- *"Until the external investigation into fraudulent behaviour in China and other countries are fully investigated it is inappropriate to vote against management."*
- *"We voted for because it was important to have stability within the position of chairman to allow him to oversee the future transition of the board in an orderly fashion."*
- *"... The rationale for voting for ... was that the bribery and corruption scandal in China was ongoing and hadn't yet reached a conclusion and as such it would be too premature to start to apportion blame and attribute it to bad governance."*
- *"The Chairman has supported initiatives regarding the sustainable competitive advantage of the business, including the company's focus on patient outcomes and access to medicine in emerging markets. It was considered in the interests of the company to support the Chairman's re-election."*
- *"Despite concerns over the lack of progress on succession planning for the chairman and the investigations facing the company, at the time of voting there was no case to be made against Sir Christopher Gent (i.e. the extent of the issues) or any other board director."*

RESOLUTION 17, RE-ELECTION OF HANS WIJERS

Almost all respondents voted in favour of the re-election of Hans Wijers, mainly because he was a new appointment and they did not have any concerns. Statements included:

- *"He had recently joined the Board and brings significant international business experience."*
- *"We had no concerns in this regard to trigger an adverse voting outcome."*
- *"... Hans Wijers was new to the Board in the year under question and as such existing commitments with other business interest could have led to meeting clashes meaning that attendance was below 75%. [Service Provider] advised that it is normal practice to give new directors the benefit of the doubt in their first year..."*
- *"We supported the idea of gradual changes to the Board and believed that it was not appropriate to make immediate change as the company was involved in a series of regulatory and internal investigations."*

One respondent however had reservations with the level of his involvement in board activities and voted against this Resolution. It did not notify the company in advance of this intention.

TABLE IX: RESOLUTIONS 4 AND 17

	Resolutions 4	Resolutions 17
	No. of respondents	
For	33	33
Against	1	1
Abstain	0	0

CONFLICTS

Two respondents reported a conflict of interest. In the first case, one of the GSK directors was also a director of a sister company and so the respondent followed its conflicts of interest procedures and voted in line with an independent third-party service provider. In the second case, GSK was a client and voting decisions were reviewed by the respondent's Corporate Governance committee to ensure compliance with its conflict processes.

COMPANY PERSPECTIVE

GSK made the following comments:

"2014 was a busy year for GSK with the announcement of its three part transaction with Novartis which was approved by an overwhelming level of shareholders with a 99% vote in favour of the transaction. Following completion of the Transaction in March 2015 the Company confirmed its intention with shareholder approval to return approximately £4 billion to shareholders bringing the total amount returned to shareholders since 2008 to £34 billion.

The Board's search to appoint a new Chairman to succeed Sir Christopher Gent also concluded in 2014 with Sir Philip Hampton being named as the new Chairman. He joined the Board on 1 January 2015 and will succeed Sir Christopher on 7 May 2015. Part of his induction has and will involve meetings with the Company's investors to understand their views on how the Company has been performing and perceived future challenges.

In addition to ongoing engagement between investors, the CEO, the CFO, the Chairman, the SID as well as other members of the Corporate Executive Team (CET), Investor Relations, and the Company Secretary, each year the Company holds formal annual investor meetings with its largest shareholders and voting advisory firms to discuss its corporate governance practices and executive remuneration arrangements. These meetings have been held since 2003 and are attended by the Chairman, the Board Committee chairmen and more recently by the SID. In addition, during 2013/2014 following the launch of the China investigation separate formal investor meetings were held in the UK and US to engage specifically with investors on this topic.

The Stewardship Code provides a helpful baseline for engagement between companies and investors. GSK always seeks to be responsive to engagement opportunities with investors and very much appreciates when investors take the time to engage with the Company by whatever route. It is very helpful when investors advise us of their views before taking action and share the reason for their decisions. It enables us to reflect and consider issues more thoughtfully if we have the full picture."

SPORTS DIRECT PLC

BACKGROUND

After three unsuccessful attempts, a contested bonus scheme at Sports Direct was agreed at its Extraordinary General Meeting on 2 July 2014, receiving 60 per cent of votes in favour[26]. However, following shareholder pressure and discussions with members of the company's Remuneration Committee, founder and director Mike Ashley withdrew his participation in the scheme[27].

Investors expressed concerns over Sports Direct's governance and the independence of the board given Mike Ashley's influence as founder, director and major shareholder[28]. At the Annual General Meeting on 10 September 2014, Resolution 5, to re-elect Mike Ashley received just over 13 per cent of votes against and Resolutions 4 and 8, to re-elect the Chairman, Keith Hellawell, and the Chair of the Remuneration Committee, Dave Singleton, received 7 and almost 6 per cent of votes against[29]. Indeed, there had been reports prior to the Annual General Meeting that leading investors were planning to vote against the re-election of these three directors[30].

Against this, Sports Direct reported a nearly 24 per cent rise in total group sales and a record 15 per cent rise in pre-tax profits for the year to 17 April 2014. It also continues to expand in Europe and has announced plans for further expansion in Australia and New Zealand[31].

OBJECTIVES

Of the 26 respondents with a holding, 15 engaged, the main concern being remuneration, and particularly the proposed bonus scheme, as well as governance (Chart IV). To quote:

- *"Our objectives principally focused on aligning the remuneration proposed for the Founder, Mike Ashley, with the long-term interests of shareholders."*
- *"... In July 2014 minority investors voted, by a modest margin, to approve the new incentive scheme for executives after two years of discussion and at the fourth time of asking. In the wake of this vote, we engaged collectively with other minority investors to impress our concerns upon the Chairman and to discuss the need for a higher standard of governance assurance."*
- *"... Investors ... called a meeting with the Chairman of the Company in order to restore relationships with the board to understand how the board works and particularly with such a dominant character, Mike Ashley. Then, upon the company revising the performance targets and structure of awards, we wanted to know the amount of shares being allocated to Mike Ashley. As the Remuneration committee was not forthcoming with this information, we spoke with Mike Ashley directly to hear his views, and to make him aware of our concerns with the governance arrangements at the Company. ..."*
- *"Our goal was to initiate key governance changes, particularly regarding the leadership and skills on the board, changes to key remuneration decisions, and strengthening internal capacities in the investor relations and company secretarial departments."*
- *"...while much of the general discussion on Sports Direct was around remuneration, we believe the larger issue is the board's apparent inability to control management, as evidenced by a number of regulatory announcements put out by the company criticising investors which clearly embarrassed the board. ..."*

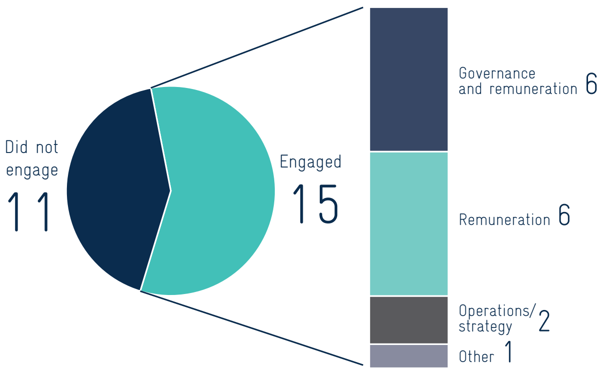
Two respondents engaged on issues around operations and strategy, with one being *"particularly interested in the prospect for growth and cost cutting".*

The main reasons why respondents with a holding did not engage were again that either the holding was too small or other engagement criteria were not fulfilled. However, one respondent clarified that it sold its holding once the bonus scheme was announced and another stated: *"We have tried and failed on numerous occasions to engage with this company, and we had no confidence that we would succeed on the issue. We voted against the Share Bonus Scheme in June."*

26 The Guardian, 2 July 2014
27 The Guardian, 16 July 2014
28 Financial Times, 16 July 2014
29 Cityam.com, 11 September 2014 and Investegate.co.uk
30 The Guardian, 3 July 2014 and 16 July 2014
31 BBC.co.uk, 17 July 2014

CHART IV: ENGAGEMENT WITH SPORTS DIRECT

No. of respondents



One respondent that did not have a holding still engaged on behalf of a wider investor group as part of its "*market-wide engagement on the disclosure and management of greenhouse gas emissions*".

No Service Provider engaged.

QUALITY AND OUTCOME OF ENGAGEMENT

Seven respondents considered the engagement good due to the depth of discussion and in one case, due to the collaboration with other investors, although there were some concerns about Sports Direct's responsiveness. For example:

- *"In cooperation with fund managers, the corporate governance team provided feedback to the board on the remuneration proposals. The board listened to the feedback given and decided to cancel the EGM and then propose new changes via another shareholder meeting."*
- *"The Investor Exchange engagement process led to effective discussion between investors and a clear agenda to present to the company. There was an opportunity to speak to a number of board directors where previously the ability of investors to have such discussion has been limited."*
- *"On the investor side, the quality of engagement was good, as it was proactive and focussed. However the quality of engagement from the company was poor."*

Three respondents found the engagement average because there was no change to the awards policy even after concerns had been expressed. The problem, according to one respondent, was the existence of one *"dominant shareholder that weakens the position of minority investors".*

The majority shareholding of Sports Direct's founder was the main reason why the engagement was bad for the other four respondents, two of which considered Sports Direct did not meet their expectations of a large, UK listed company.

As a result, only seven respondents considered their engagement fully or partly successful given they were able to hold discussions with Sports Direct but felt there was still room for improvement. For example:

- *"Our discussions on trading performance were satisfactory but the company's corporate governance still falls short of best practice."*
- *"Whilst ultimately we supported the company, we thought that the proposals could have been improved upon".*

Seven respondents did not achieve their objectives at all principally due to Sports Direct's poor governance. Statements included:

- *"The (poor) engagement experience with the Company resulted in us voting against the re-election of the chairman (and abstaining on the other non-execs) at the 2014 AGM. We made it absolutely clear that we have no issues with the performance of the business etc or even questioning the share schemes because these have proved very successful for everyone. That's why it's such a shame that the underlying governance issues have got in the way. The engagement actually confirmed our thinking that we should be concerned about the governance at this company. Unless Mike Ashley has some stronger characters to stand up and challenge him (and repair relationships with shareholders), this will continue to be a risky investment."*
- *"While the board was willing to meet with us and hear our concerns, there was no indication they were willing to meaningfully consider our suggestions."*
- *"While Ashley did withdraw from the remuneration scheme it is hard to see this as an engagement success. The board is also in need of renewal and we are not convinced that it has in any way acknowledged this."*

As a result of their engagement, two respondents changed their holdings. One reduced it and the other sold all actively managed investments but continued holding Sports Direct in index funds.

DETAILS OF ENGAGEMENT

Contact with Sports Direct

Twelve respondents contacted Sports Direct 41 times in total, making an average of 3.4 contacts per respondent. Most contact was with the Chairman – a total of 21 contacts by nine respondents. Moreover, the Chair of the Remuneration Committee and Executive Directors were contacted 14 and 12 times by eight respondents each (Table X).

TABLE X: NUMBER OF CONTACTS AND WHO WITH

	No. of contacts	No. of respondents
Chairman	21	9
Senior Independent Director	4	4
Remuneration Committee Chair	14	8
Audit Committee Chair	0	0
Other Non-Executive Directors	0	0
Executive Directors	12	8
Management	4	2
Company Secretary	8	4
Investor Relations	1	1
Total	**41**	**12**

As shown in Table XI, for eight respondents dedicated specialists had 32 contacts and for four respondents dedicated specialists with portfolio managers/ analysts had with eight contacts.

TABLE XI: NUMBER OF CONTACTS AND WHO BY

	No. of contacts	No. of respondents
Portfolio managers/analysts only	5	3
Dedicated specialists only	32	8
Portfolio managers/analysts and dedicated specialists	8	4

Contact with other investors

Nine respondents collaborated with other investors out of which eight were approached by an established group. In most cases, collaboration consisted of joint meetings with Sports Direct and for four respondents involved discussing the issues with other investors.

Only four respondents found the collaboration effective in that it brought investors together to discuss their concerns and make Sports Direct aware. To quote:

- *"It raised the issue with some investors but there is a controlling shareholder which reduces voting power of others."*
- *"It was effective in collating investor views and putting those to the company. It was not effective in achieving results unfortunately due to the company's unwillingness to initiate changes at investors' request."*

The other five respondents did not find the collaboration effective, particularly because Sports Direct was unwilling to change. For example:

- *"...For most other companies, this level of shared concern amongst investors (also having been communicated to the company) would have brought about change but this is a Board with a controlling shareholder and a reluctance to admit there is any improvement to be made (and a lack of understanding of what good corporate governance looks like). ..."*
- *"Many of the issues that informed the collective engagement remain unresolved. The new listing rules that relate to the dual vote on independent directors at majority controlled companies could provide a catalyst for change in the absence of improvement."*
- *"The company has not changed its approach towards corporate governance."*

2014 AGM

None of the respondents attended the AGM in September 2014. Moreover, two respondents did not vote on any of the Resolutions below.

RESOLUTION 4, TO RE-ELECT KEITH HELLAWELL AS A DIRECTOR OF THE COMPANY

Despite widespread dissatisfaction with governance, nine respondents voted in favour of the re-election of the Chairman, Keith Hellawell (Table XII). The changes made to the incentive award scheme were a mitigating factor and some respondents chose to express their views with abstaining or voting against other resolutions such as the approval of the remuneration policy. To quote:

- *"We believe that given Mike Ashley's level of ownership and voting control in the company, real change will come from continued engagement with the Company and we were keen to move discussions from the adversarial to the constructive. We believed voting against these resolutions will only deepen the adversarial nature of discussions to date without moving towards real change."*
- *"We had reflected our concerns in our voting & engagement at the Special General Meeting and in our abstention on the vote to approve the Remuneration Policy at this meeting."*
- *"...The company considerably strengthened the performance targets and extended the period over which performance was to be measured. Given the changes made, [Asset Manager] voted in favour of the scheme and the directors."*

Four respondents remained concerned about governance and voted against this Resolution. Explanations included the following:

- *"The reason for our decision on the re-election of the two directors is because we do not believe that governance at the company is as good as it could be. We value the fact that Keith Hellawell has agreed to mend bridges with Sports Direct's minority shareholders and to make some improvements over the course of the year. However our vote is to give him encouragement to see through his promises and to empower him at the board table to do so."*
- *"As chairman, we do not consider he has acted in the best interests of all shareholders and we have ongoing concerns about board governance and independence of the Board. It was the process and consultation (or rather lack of) leading up to the various votes on the new bonus arrangements which shone a light on how the board works and we have concerns over the Board's lack of holding Mike Ashley (founder and controlling shareholder) to account. Subsequent meetings haven't changed the way we view the board, particularly the chairman. There do not appear to be proper board processes, meetings and decisions appear very ad hoc, NEDs not aware of fundamental delegations. If there was a new chairman, this would improve the functioning of the board, its processes, and crucially the board's communication with investors."*

RESOLUTION 5, TO RE-ELECT MIKE ASHLEY AS A DIRECTOR OF THE COMPANY

Despite concerns about governance and remuneration a number of respondents considered Mike Ashley added value and 13 voted in favour of his re-election. To quote:

- *"He is the driver of the business and has added value for shareholders. We however voted against the remuneration policy ... as this was one of our concerns."*
- *"We have no concerns regarding the performance of Mike Ashley in his role as executive Deputy Chairman and considered it appropriate to vote for his re-election."*
- *"The concerns about remuneration had not impacted our view of Mr Ashley."*
- *"We believe Mike Ashley is instrumental to executing the business strategy."*
- *"...he is an integral part of the business ... it is for this reason that we exceptionally supported his re-election, and which also reflected his exceptional performance over a sustained period. However, this issue is part of the wider concerns we have over the governance of the company which needs to now start acting like a FTSE 100 company. ..."*

RESOLUTION 8, TO RE-ELECT DAVE SINGLETON AS A DIRECTOR OF THE COMPANY

Unsurprisingly, given the level of dissent with the proposed bonus awards, only seven respondents supported the re-election of the Remuneration Committee Chair, Dave Singleton. To quote:

- *"It is not our policy to vote against the executive members of the board unless there is something particularly contentious. The company continually produces good results so we see no need to change the board. However, we will continue to monitor the situation."*

- *"We had reflected our concerns in our voting & engagement at the Special General Meeting and in our abstention on the vote to approve the Remuneration Policy at this meeting."*

- *"We believed that Dave Singleton's continued presence on the Board would add value."*

One respondent abstained and five voted against Dave Singleton's re-election due to concerns regarding the approach to setting and promoting the bonus plan. Statements included:

- *"...The bonus/share schemes that he has effectively put forward have raised a number of concerns (including the lack of any consultation, insufficiently challenging performance targets for the first proposals then no indication of the number of awards to be awarded to the participants for the second proposal, and particularly important to investors was the allocation to Mike Ashley which the company failed to provide details on). ... we abstained ... because the chairman should be the main focus for change, as it is only when there is as strong chairman in place that the board and it sub-committees will operate differently and in the best interest of all shareholders. Secondly, too much change too soon would make this aim more difficult to achieve. ..."*

- *"Our decision on Mr Singleton relates to the numerous attempts to introduce the Super Bonus Plan when so many minority shareholders were not supportive."*

- *"We have significant concerns regarding the governance of Sports Direct. We also have concerns regarding the Remuneration Committee's oversight of remuneration decisions at the Company and its engagement with shareholders leading up to the June and April general meetings. ..."*

- *"We voted against the remuneration committee chair as we were highly unimpressed with the quality of engagement from him."*

TABLE XII: RESOLUTIONS 4, 5 AND 8

	Resolutions		
	4	**5**	**8**
	No. of respondents		
For	9	13	7
Against	4	0	5
Abstain	0	0	1

Four respondents notified the company in advance of their intention to abstain or vote against.

CONFLICTS

None of the respondents with a holding reported any conflicts of interest.

COMPANY PERSPECTIVE

Sports Direct made the following comments:

"Sports Direct values constructive dialogue with its shareholders. The board, however, is disappointed that some of the respondents in this report appear to believe that the company did not engage constructively over the bonus scheme. In early 2014, the board listened to the views of investors (involving an extensive programme of meetings) and received indications of support from the majority of its independent shareholders for a revised scheme which incorporated changes arising from investor feedback. As such, when the board proposed the scheme at this time it did so in the belief that the majority of its independent shareholders would be voting in favour. In spite of the oral agreements given for the revised scheme, however, some of these shareholders then cast proxy votes against the proposed scheme. The board undertook further consultations, making further changes, before proposing the scheme again. The board remains committed to ongoing dialogue with its shareholders, but would urge all investors to be clear about who is responsible for voting decisions and to abide by oral commitments given following discussions."

STANDARD CHARTERED PLC

BACKGROUND

In 2014 Standard Chartered reported that its 2013 Group income was down 1% with statutory profit before tax down 11%, driven by continued challenges in Korea including a goodwill impairment on this business, material margin compression in Transaction Banking and weak Financial Markets business in the second half impacted by volatile market conditions.

In addition, investors expressed concerns on matters such as the low number of non-executive directors on the board and the lack of independence for some of them, as well as Sir John Peace's role as Chairman of both Standard Chartered and Burberry[32].

At Standard Chartered's Annual General Meeting on 8 May 2014, Resolution 3 to approve the directors' Remuneration Policy received almost 41 per cent of votes against, reported as the strongest shareholder opposition to a remuneration policy among UK banks[33]. Shareholders criticised changes in the policy that involved a significant increase in the proportion of executives' variable pay that is connected to single-year targets as opposed to setting a longer-term view of performance[34].

Resolution 13 to re-elect Ruth Markland, non-executive director and Chair of the Remuneration Committee and member of the Audit, Board Risk, Nomination, Governance and Board Regulatory Compliance Oversight Committees, received almost 14 per cent of votes against. Resolution 19 to re-elect Paul Skinner, non-executive director and Chair of the Brand and Values Committee and member of the Board Risk, Nomination, Remuneration and Board Regulatory Compliance Oversight Committees, received 11 per cent of votes against[35].

OBJECTIVES

Twenty-nine of the 50 respondents with a holding engaged with Standard Chartered primarily on remuneration issues, as well as succession planning and company performance (Chart V). To quote:

- *"We discussed how we perceived Standard Chartered proposed structure to deal with the EU rules on remuneration in the Capital Requirement Directive. We would have liked the company to abolish the new "allowance" they were going to pay to their executives, and to lengthen the performance period for their long term variable component of remuneration. ..."*
- *"...We continued to press for improvement in the disclosure of the performance conditions for the annual bonus and long-term incentive schemes for executives and other senior employees. Standard Chartered also has an extremely large board which may curtail effective decision-making, and so we also continued to press for a reduction in its size. On a related note, we also have concerns about the chair's ability to chair two FTSE 100 companies and have raised this issue with him, however it is clear that the company believes that the current governance structure is appropriate. Lastly we continued our engagement on the company's culture, pressing for an ethics and compliance based culture in line with best practice following a number of investigations into the bank's behaviour and subsequent fines."*
- *"We attempted to persuade the company that the 'discount for certainty' applied to the new remuneration arrangements was out of line with their peers and should be amended; we were also concerned that such a significant proportion for remuneration could vest in reference to 1 year targets."*
- *"[Objectives were] Better performance from business, a remuneration policy more closely linked to long term performance, and a succession process for the chairman."*
- *"[Objectives were to] Discuss succession planning; ensure remuneration arrangements are consistent with regulation, maintain the pay-for-performance framework, and protect the core franchise within a competitive environment; understand the steps taken to address prior regulatory failings."*
- *"We wanted two directors whom we regarded as non-independent due to tenure to step down from the Audit & Remuneration Committees."*

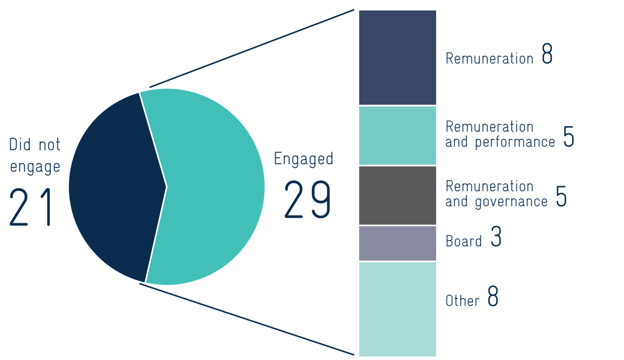
Approximately half of the respondents with a holding did not engage, the main reasons being that Standard Chartered did not meet certain engagement criteria, for example it was not held in a UK equities fund or an active fund, or the holding was too small. Others did not have any specific concerns. One had engaged on remuneration in the previous year and another stated: *"We decided not to engage with the company because the level of dissent from shareholders about the remuneration item was high, although not a majority, and they are aware of shareholders' concern on their remuneration policy. Concerns about banks'*

32 The Guardian, 18 May 2014
33 Bloomberg.com 8 May 2014
34 Financial Times, 8 May 2014
35 Investegate.co.uk

remuneration policies have been raised by the EU Commission over how banks have enacted the CRD IV regulations, so we are waiting to see if there will be further legislative action on this item."

CHART V: ENGAGEMENT WITH STANDARD CHARTERED

No. of respondents



None of the Service Providers engaged.

QUALITY AND OUTCOME OF ENGAGEMENT

Only 11 respondents considered the engagement good given the continued access they had to management and the opportunity to discuss issues. To quote:

- *"We were able to discuss concerns about company performance and the fact that the remuneration decisions did not fully reflect this. It was another opportunity to reinforce issues investors had about the company's strategy and performance."*
- *"In our view, [Standard Chartered's] Head of Reward worked hard to understand shareholders' concerns and raise the issues with the [Remuneration Committee] and the Board."*
- *"We had good access to management throughout this period."*

Twelve respondents felt the engagement was average because even though they had discussions with Standard Chartered, many felt that certain issues remained unresolved. For example:

- *"Due to a combination of regulatory changes and the significant negative shareholder vote, the company's focus was understandably on addressing remuneration concerns. While we consider this to be important for the company, we would have preferred to spend more time addressing issues related to strategy, compliance risks and succession."*
- *"The Company consulted and followed up but did not seem to go as far as other banks in addressing shareholder concerns and in meeting the spirit of the CRD IV regulations."*
- *"The company did not provide sufficient clarity as to why the changes announced in January had not been communicated at the investor day in January."*
- *"Group meeting with chairman was particularly poor but 1-to-1s were better."*

The engagement was bad for three respondents that stated:

- *"We found engagement with the remuneration committee chair unimpressive."*
- *"The engagement was not satisfactory as the company attempted to play different people against one another, not realising that an internal position had been discussed and agreed."*
- *"...Little new learned, existing management are not owning up to the underlying problems in their business. It is our view that the level of engagement with investors had been poor for a long period...."*

Just four respondents achieved their objectives fully with one explaining that it was satisfied with the discussion on the issues raised. Most respondents (17) found their engagement partly successful because remuneration was addressed but this was only to a certain extent and other issues such as governance remained unresolved and engagement is on-going. To quote:

- *"While we did manage to gain some comfort on remuneration in the end, there are a number of outstanding issues, not least the chair's ability to be at the helm of two FTSE 100 companies and the recent news that the company is again being investigated for possible malfeasance."*
- *"We have been unsuccessful in obtaining a meeting to discuss culture and conduct to date. The discussion regarding remuneration following the AGM was productive and we are hopeful the company will incorporate our feedback into the remuneration policy."*
- *"We provided feedback on the changes to remuneration structures in light of the Capital Requirements Directive IV but despite Standard Chartered reducing total compensation it appears*

to be the most generous of the UK banks, and our view is that total compensation should have come down much further."

- *"Although we ultimately 'agreed to disagree' and voted against the [Remuneration] Policy, the company has continued to engage on how to improve remuneration arrangements for next year."*

Five respondents did not achieve their objectives because none of their issues of concern were addressed and Standard Chartered did not concede much. For example:

- *"Both the [portfolio managers] and [corporate governance] team felt that engagement with the company has historically been of a poor quality. Few concessions were made by the company following feedback from investors regarding CRD IV."*
- *"A sign of success would be the company and shareholders reaching a consensus and shareholders supporting all the proposals, unfortunately that did not happen in this case, and consensus is still being sought."*
- *"Company was only interested in getting its own way confirming concerns around the culture at the top."*

One respondent changed its holding as a result of the engagement and stated: *"they had not made the changes related to cost and capital saves we believed to be necessary to maintain our investment thesis so we withdrew from the investment".*

DETAILS OF ENGAGEMENT

Contact with Standard Chartered

Respondents had extensive contact with Standard Chartered: in total 133 contacts for 25 respondents – an average of 5.3 each. A large part of this was with Investor Relations, the Remuneration Committee Chair and Management – 35, 28 and 27 contacts respectively (Table XIII).

TABLE XIII: **NUMBER OF CONTACTS AND WHO WITH**

	No. of contacts	No. of respondents
Chairman	19	14
Senior Independent Director	6	5
Remuneration Committee Chair	28	17
Audit Committee Chair	2	2
Other Non-Executive Directors	2	2
Executive Directors	21	13
Management	27	11
Company Secretary	19	11
Investor Relations	35	9
Total	**133**	**25**

In most cases, contact was by the portfolio managers/analysts (57 contacts) or dedicated specialists (46 contacts). For eight respondents portfolio managers/analysts and dedicated specialists had joint contact 30 times (Table XIV).

TABLE XIV: **NUMBER OF CONTACTS AND WHO BY**

	No. of contacts	No. of respondents
Portfolio managers/analysts only	57	14
Dedicated specialists only	46	15
Portfolio managers/analysts and dedicated specialists	30	8

Contact with other investors

Eight respondents collaborated with other investors, three on their own initiative and five after being approached by an established investor group. In most cases, this was through joint meetings with Standard Chartered. One entered a collective agreement to vote the same way and others held discussions.

Four respondents did not find the collective engagement effective; one because *"investors had differing views about what the Company's approach should be"* and others because they were not able to persuade Standard Chartered to follow a different approach on remuneration.

Nevertheless, the other four respondents considered the collaboration effective in that it presented *"a* *useful forum to provide a consensus view to the company on areas of investor concern"* and made respondents aware of other investors sharing their views.

2014 AGM

No respondent attended Standard Chartered's AGM in May 2014.

RESOLUTION 3, TO APPROVE THE DIRECTORS' REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2013

In line with the AGM results, the majority of respondents voted against Resolution 3, to approve the remuneration policy (Table XV). This was mainly due to remuneration not being aligned to long-term performance and the addition of further allowances to compensate for the bonus cap introduced by CRD IV. To quote:

- *"We voted against due to deep concerns over the proposed new compensation structure, which will lead to a significant reduction in the variable pay based on forward-looking multi-year performance targets, thus shifting a vast proportion of the variable compensation to payments in respect of a single year's performance (albeit deferred and released over a number of years). ..."*
- *"The Company's remuneration policy was not aligned to long-term performance and was geared towards the short-term. In addition we fundamentally disagreed with the introduction of additional allowances to circumvent the bonus limits imposed by CRD IV. ..."*
- *"...We believe the use of allowances and a shortening of the performance period are not good practice. We have written to the Chairman and our engagement on remuneration and its connection to corporate strategy will continue."*
- *"We felt that the 'discount for certainty' applied to the new remuneration arrangements was out of line with their peers and were also concerned that such a significant proportion for remuneration could vest in reference to 1 year targets."*

Ten respondents, however, voted in favour because Standard Chartered had improved its remuneration policy compared to previous years and more time was needed to address the new regulations. For example:

- *"We had voted against remuneration for the past two years due to concerns around performance targets. We were able to support remuneration policy this year as the targets seemed more appropriate. Although a greater proportion of potential remuneration is based on one year performance, the awards vests over 3-5 years. In addition, the potential maximum remuneration for executives was reduced."*
- *"Whilst we were concerned with the restructuring of remuneration towards shorter term performance and fixed pay, we were conscious of the challenges of the new regulatory framework. Given the competitive environment in the markets in which the company primarily operates, we decided to provide the committee with the flexibility this year by supporting the policy with a view of holding the directors to account on the manner in which they applied the policy."*
- *"Although there were concerns regarding the structure which had an increased focus on the achievement of single year performance targets, we supported the proposal given the company's current priorities additionally, during discussions with the company there are discretionary performance conditions which will have a longer term focus."*

RESOLUTION 13, TO RE-ELECT MS R MARKLAND, A NON-EXECUTIVE DIRECTOR

Most respondents supported the re-election of Ruth Markland, Chair of the Remuneration Committee principally because changes in Board composition were already underway. For example:

- *"At this time, we do not think it appropriate to take voting actionwwwwww."*
- *"Our concerns were mainly about performance and affected the whole board. We did not want to single out a particular director."*

Three respondents abstained due to concerns over the proposed remuneration policy and Ms Markland's lack of independence. The latter was the main reason why another three respondents voted against the re-election. Others commented:

- *"Our policy is to abstain on non-independent members of the audit & remuneration committees if the company does not provide a compelling reason for their membership or communicate their intention to address the issue in the coming year."*
- *"Concerns over ability to be independent due to tenure. [She] served on the remuneration*

committee and vote reflects our concerns about the proposed remuneration policy (primary consideration in opposing re-election)."

- *"Non-independent director on the audit committee, but most notably the chair of the remuneration committee ... In addition she has now been made the senior independent director."*

RESOLUTION 19, TO RE-ELECT MR P D SKINNER CBE, A NON-EXECUTIVE DIRECTOR

Similar to Resolution 13, few respondents abstained or voted against the re-election of Paul Skinner on the grounds that he lacked independence due to his long tenure and was also a member of the Remuneration Committee.

Twenty-three respondents voted in favour, mostly because they did not have any concerns about his reappointment and that he had *"useful Board experience"* and his *"continued presence on the Board would add value".*

TABLE XV: **RESOLUTIONS 3, 13 AND 19**

	Resolutions		
	3	13	9
	No. of respondents		
For	10	21	23
Against	17	3	1
Abstain	0	3	3

Thirteen respondents notified Standard Chartered of their intention to abstain or vote against.

CONFLICTS

Two respondents noted a conflict of interest. One appointed an independent fiduciary to conduct the analysis based on their principles and voting guidelines that were public and to decide on the vote. The respondent concerned did not engage with Standard Chartered. The other had a conflict of interest as a result of a client relationship and followed its conflicts of interest procedures in order to engage with Standard Chartered.

COMPANY PERSPECTIVE

Standard Chartered made the following comments:

"We have a comprehensive engagement programme with our shareholders covering the investment and governance teams. In 2014 we attended around 850 investor meetings across 400 institutions. As part of this engagement we held remuneration focused meetings with more than 50% of our share register.

We have taken significant action through 2014 and at the 2015 preliminary results including developing remuneration proposals to address shareholder feedback. Details of these changes are included in the Group's Annual Report and Accounts, to be issued on 16 March 2015 on our website. We have also announced a significant number of changes to the Board, including changing the Group CEO, announcing the intention for the Chairman to step down during 2016, and the departure of the Group Executive Director and CEO Asia. We have also continued our program to refresh the independent non-executive director members of the Board. In 2015 we have announced two new Board members alongside three long standing non-executive directors who will be standing down from the board, including the Chair of the Remuneration committee and the Senior Independent Director.

We will continue to engage actively with our shareholders across a range of matters."

OTHER EXAMPLES

Thirty-eight respondents provided examples of their engagement with other companies. Most commonly, engagement was on remuneration, board structure and independence, succession planning as well as environmental issues. This was with a wide array of companies such as Debenhams, Countrywide, Infinis, Regenersis, Thomas Cook and Lockheed Martin.

Examples of this engagement activity are below.

- *"[Asset Manager] is on the steering Committee for the UNPRI collaborative engagement on Fracking disclosure. The objective of this collaborative engagement is to improve disclosure and adoption of best practice in those companies involved in the fracking industry – notably community support, water quality and use, air emissions and the govern acne of procedures as the key areas of concern. We believe there is an investment opportunity from being a responsible company and adopting the best available technology and procedures. We believe the benefits may include a better reputation, sustainable earnings, greater productivity and efficiency and lower costs. We found an overall lack of disclosure in the industry around the related risks from fracking. The engagement aims to improve companies' disclosure and encourage the adoption of best practices in several areas: Governance - Board oversight/policies/procedures/ R&D; water management; use and contamination; air emissions; Community - impact and consent. We are leading the engagement with a number of companies and have been encouraged that we have already seen changes made at a number of the target companies."*

- *"... Our engagements were aimed at better understanding a variety of issues such as the Scottish Independence Referendum and the possibility of changes in the UK Carbon price floor system. Changes to this system were announced in March 2014 such that the carbon price will be frozen between 2015 and 2020 compared to a previous plan for gradual increases in price. Our engagement with [Company] was aimed at discussing the effects of the change in the carbon price floor to their dividend policy, stated at the time of their IPO, as well as how their future investment targets of 130-150 megawatts in new wind capacity by 2017 would be affected by the change in remuneration structure. Typically our engagements did not involve collaboration with investors but one occasion was a group meeting to discuss their Q3 Interim Management Statement. ..."*

- *"North American Pharmaceuticals Company Issue: Before the 2014 shareholder meeting for this company, its board of directors made a significant change to the bylaws, without shareholder approval – changing the ownership requirement for the ability to call a special meeting of shareholders to 25%. This change was made in response to a proposed acquisition that the board intended to reject. An activist hedge fund, who is one of the company's largest shareholders, rallied other shareholders to create a shareholder group to call a special meeting, which would be required in order for shareholders to compel the board to review a proposed acquisition. [Asset Manager] Action: In this case, [Asset Manager] viewed the board's actions as a violation of shareholder rights, since they changed the company bylaws without prior shareholder approval, and did not allow shareholders to express their opinions about the proposed acquisition. We came to the conclusion that becoming part of the shareholder group requesting this special meeting would be in shareholder best interests as it would allow shareholders to vote on this change in bylaws, and compel the board to review the proposed acquisition. Result: The activist hedge fund was successful in gathering enough shareholder support to call this meeting - the company has it scheduled for December 2014. [Asset Manager] will continue monitoring this company going forward."*

- *"On-going engagement with the Chairman [name] of [Company] regarding an element of its LTIP... Company contacted [Asset Manager] regarding their Management Remuneration Plan 2014. [Asset Manager] noted that company continues to use "rolling retesting" for the LTIP awards for share price performance. Any 30-day period during the performance period can be chosen at the discretion of management. Not best practice and not often used anymore. Chairman confirmed the planned use of "rolling retesting" again, we noted that this practice is sub-optimal and not representing best practice, as it can be aligning poorly with performance. Company noted our comments, but frustratingly will go ahead with this practice. Engagement on this point to continue. At [Company] AGM [Asset Manager] voted against the Remuneration Plan, due to this and sent an email ahead of AGM to explain why we voted against. We will continue to discuss this with management."*

- *"We had a successful collaborative engagement with [Company] on the subject of the company's exposure to and management of hazardous chemicals. [Company] as a specialist chemicals company has strong exposure to environmental themes, in particular to automotive emissions reduction through its catalysis business. Notwithstanding this, the company also manufactures a range of Substances of Very High Concern (SVHCs) as defined by the European Commission. Many of these substances are highlighted as chemicals that are subject to authorisation and potentially to phase out under the European Commission's REACH legislation. We recruited a number of other large UK investors ... to co-sign a letter from us to the company asking them to explain their exposure to this issue and their management of it. We met with the company to hear their views and discussed whether this issue had received sufficient management priority. Based on this meeting and some subsequent correspondence, the company confirmed that they would give additional focus to this issue in their annual report and have also confirmed that they have subsequently recruited some additional internal resource to help develop a clearer overall strategy on the issue."*

- *"... Social Practices: In 2014, [Asset Owner] along with other institutional investors, engaged with an Oil & Gas company regarding their operations in UNESCO World Heritage sites. Following this engagement the company made a public commitment not to conduct future operations in such sites. Whilst this engagement is ongoing, we consider the company's commitment to be an important step in demonstrating their intention to maintain healthy relations with all stakeholders. Environmental Practices: [Asset Owner] was co-signatory in an international investor initiative convened by CERES and the climate investor group which wrote to 45 of the world's largest listed companies in the oil and gas, coal and electric power sectors to ask for a review of their exposure to carbon risk / stranded assets and their plans for mitigation. The fund also spoke directly to a number of companies to encourage them to respond to the questions, particularly on stranded assets. Whilst the initiative cannot be considered solely responsible, several [Asset Owner] investee companies have enhanced their reporting on climate change during the year and a number have provided detailed analysis of the stranded assets issue."*