

ASN Beleggingsinstellingen Beheer B.V. (ABB) Voting Behaviour Q3

Themes and case studies

In the third quarter of the year, ASN Beleggingsinstellingen Beheer B.V. (ABB) participated in the general meetings of companies in a range of sectors, including real estate, utilities, telecommunications, information technology and apparel. A number of the meetings took place in the UK, but there were also meetings of US, German and Swiss companies. ABB encountered challenging corporate governance issues at these meetings related to board structure, remuneration and auditing, and evaluated them through the prism of the voting policy, which has a strong focus on sustainability. ABB also came across examples of good practice, which ABB highlight in this report.

Battle of the brands: retailers compete to do business sustainably

ABB voted at the AGMs of apparel and general retailers during Q3 2018, including Marks and Spencer Group Plc (UK) on 10 July, Industria de Diseno Textil SA (Spain) on 17 July, and Nike Inc (United States) on 20 September. In each case the sustainability issues that companies in this sector face had a bearing on the matters on the agenda.

Industria de Diseno Textil's (Inditex's) annual report and accounts cover responsible purchasing practices and supply chain issues, as well as animal welfare, energy and climate change, water use and packaging. In addition, its Annual Corporate Governance Report elaborates on the company's Code of Conduct and responsible business conduct. Meanwhile, Marks and Spencer's annual report included information about the company's efforts to in the areas of human rights and climate change mitigation. Taking into account this holistic approach to company reporting, ABB supported the resolution to approve the report and accounts at both meetings.

Turning to executive pay, ABB observed that at Inditex, bonus targets include not only the strategic development of the company, the personal performance of the CEO and the observance of the expansion plans, but also progress in corporate social

responsibility and environmental policies; progress in the area of corporate governance; and the progress in implementing compliance and diversity programmes. The bonus scheme at Marks and Spencer has a similarly balanced structure, with awards in the last year depending on a mixture of profit before tax and customer, strategic and other financial criteria. These remuneration policies therefore satisfied the requirement of the voting policy that companies should integrate sustainability factors into remuneration and ABB supported both resolutions. At both meetings, all resolutions passed by a large majority of votes.

The picture was rather different at the AGM of sportswear giant Nike. No part of the company's remuneration structures included metrics related to social and environmental issues, which ABB considered inappropriate in light of the risks the company faces relating to, for example, labour rights in its supply chain and water use. ABB therefore casts votes against this resolution. ABB also voted against the resolution to approve the reappointment of the auditor, PricewaterhouseCoopers, as the latter has been auditing the company's accounts for 44 years. In ABB's view, it is difficult for an auditor to retain their independence after such a long association with the company.

In addition, there was a shareholder proposal on the agenda of the meeting, requesting that the company provides a report twice a year on its political expenditures and contributions. The company only provides information concerning contributions to a single candidate or political party amounting to more than USD 100,000 in a calendar year and contributions in any US state where more than 50 percent of the total annual contributions are made for any calendar year. ABB believes that shareholders would benefit from more granular information about such contributions, in order to assess whether they are truly aligned with shareholders' interests and therefore recommended support. At the time of writing this, the results for Nike's 2018 AGM were not available.

Different stories at UK AGMs

ABB also saw contrasting pictures at the AGMs of two UK companies, Great Portland Estates plc (5 July 2018) and Sophos Group plc (30 August 2018). Great Portland Estates' annual report provides information about the company's relationships with stakeholders, including local communities and suppliers, and discloses a Supplier Code of Conduct that includes requirements in connection with ethical working practices, human rights and forced labour. The eight-person board of directors, led by Chair Martin Scicluna, is majority independent and strengthened its gender diversity in the last year with the recruitment of non-executive director Alison Rose. In the area of pay, the company disclosed that the bonus for the year ending 2019 depended on both financial measures, 'personal objectives' and related to a range of considerations, including culture and behaviour. ABB supported all resolutions at this meeting, as did most investors.

ABB profiled the AGM of IT security company Sophos Group last year, underscoring issues with remuneration, board independence and diversity. ABB had continuing concerns about the structure of the board going into this year's AGM. Alongside the CEO and CFO, there were three members of the board whom ABB did not regard as independent, including Roy Mackenzie, a representative of 11 percent shareholder Apax Partners. Meanwhile there are only three independent directors on the board, meaning that less than 40 percent of the board is independent. The UK Corporate Governance Code recommends that at least 50 percent of the board, apart from the chair, should be independent. ABB therefore voted against the election of two affiliated non-executive directors, Stephen Munford, a former CEO, and Vin Murria, a director of another business with which the company has a continuing commercial relationship. Both directors were re-elected at the meeting, but dissenting votes from nearly seven percent of shareholders – in the context of higher-than-usual votes against a number of other directors – may prompt the company to review its board structure.

At Sophos Group's 2017 meeting, ABB was among around 30 percent of shareholders who voted against the company's remuneration report. The company has since held consultations with major shareholders on this topic. However, ABB continues to have reservations over the company's remuneration system, which enables executives to receive bonus and share awards worth seven times salary. It also provides for progress against performance metrics under the company's long-term incentive plan to be assessed at the end of every year of the three-year performance cycle. ABB considers that best practice requires an evaluation only at the end of three years – so as truly to encourage long-term performance. ABB therefore voted against the remuneration report once again this year, as did over 32 percent of shareholders. ABB hopes this will prompt the company to renew engagement with its shareholders on executive pay and make more meaningful changes.

VOTING BEHAVIOUR – Q3 2018

A summary of Q3 2018 voting for ABB is displayed below.

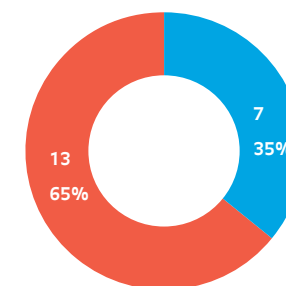
	Q1	Q2	H1	Q3	Q4	Annual
Total Meetings Voted	36	131	167	20		
Voted For Management	12	34	46	7		
Voted Against Management ¹	24	97	121	13		
Total Management Resolutions:	414	1,850	2,264	304		
Votes For	372	1,626	1,998	278		
Votes Against	42	224	266	24		
Votes Abstain	0	0	0	2		
Total Shareholder Resolutions:	5	14	19	1		
Votes For	5	7	12	1		
Votes Against	0	7	7	0		
Votes Abstain	0	0	0	0		
Total Resolutions:	419	1,864	2,283	305		
Votes For	377	1,633	2,010	279		
Votes Against	42	231	273	24		
Votes Abstain	0	0	0	2		

¹ Opposed management on at least one resolution

In Q3 2018, ABB voted a total of 20 company meetings in the ABB accounts, represented by 19 companies. ABB's voting policy was applied to all voting decisions made. ABB voted with management recommendations at 35 percent of the meetings and voted against management recommendations on at least one resolution at the remaining 65 percent of the meetings.

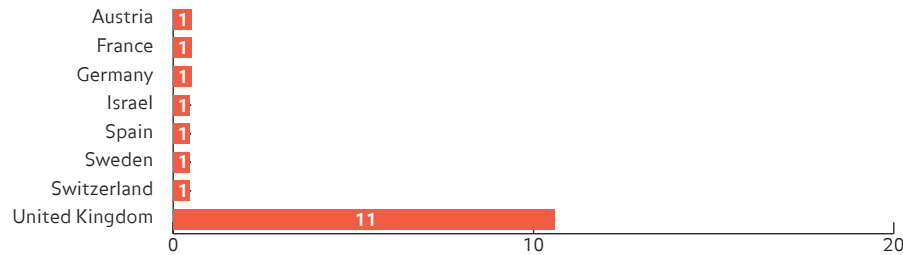
Total Meetings Voted For/Against Management

For Management	35%
Against Management	65%

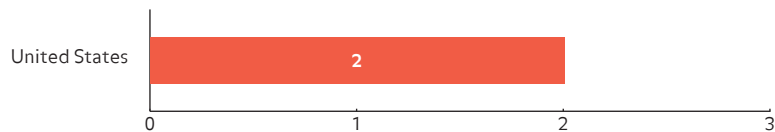


Out of the 20 meetings voted during Q3 2018, 18 meetings were voted in Europe, 2 meetings were voted in the Americas and none were voted in the Asia Pacific region. The two charts below display the meeting distribution by country in each region.

Meeting Distribution by Country - Europe

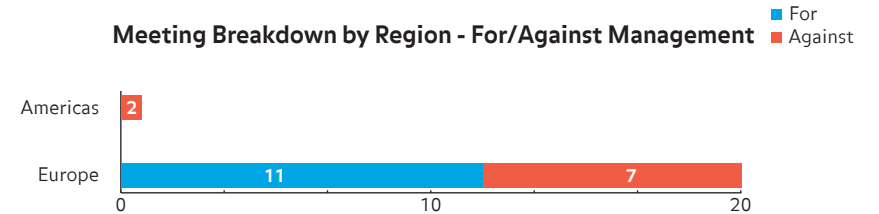


Meeting Distribution by Country - Americas



The chart below shows meetings voted by region broken down by votes cast for and against.

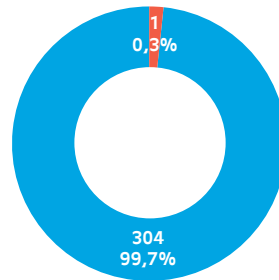
Meeting Breakdown by Region - For/Against Management



A total of 305 voting resolutions were reviewed and voted, of which 304 were management resolutions and 1 was a shareholder resolution. As illustrated in the second chart below, ABB did not support 8 percent of all resolutions.

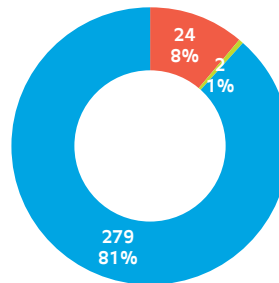
Type of Resolution - Management/Shareholder

Management Resolutions	99,7%
Shareholder Resolutions	0,3%



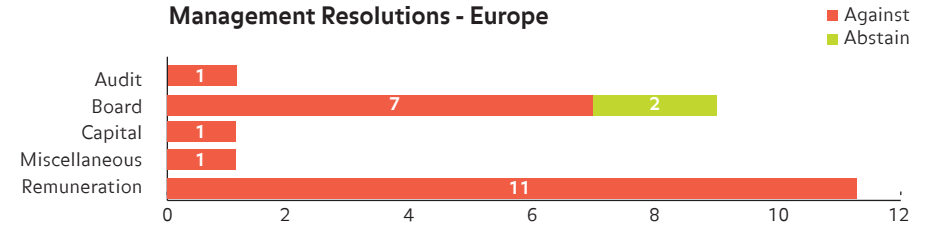
Resolutions - Votes For /Against

For	91%
Against	24%
Abstain	1%

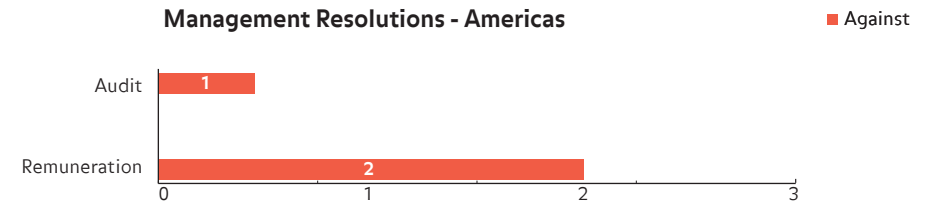


A total of 24 management resolutions were opposed during Q3 2018. The breakdown of these resolutions by region, type of resolution and the vote cast is provided in the charts below.

Negative Voting Breakdown Management Resolutions - Europe



Negative Voting Breakdown Management Resolutions - Americas



The breakdown of the shareholder resolutions by region, type of resolution and vote cast is provided in the chart below. No shareholder resolutions were put forward in Asia Pacific and Europe in Q3 2018.

