Appendix 'A'

PIRC

Lancashire Quarterly Voting Report Q1 2013

OVERVIEW

The Pension Fund received voting recommendations for **421** resolutions at **32** meeting meetings in the quarter ended 2013-03-31.

The Pension Fund support **281** of the resolution (66.75%).

The Pension Fund voted against on **75** occasions (17.81%).

The Pension Fund Abstained on **35** occasions (8.31%).

There were **14** non-voting agenda items (3.33%).

There were **15** withheld agenda items (3.56%).

OVERVIEW

TABLE 1: GEOGRAPHIC VOTING OVERVIEW

Geographic Region	Meetings	Resolutions	For	Oppose	Abstain	Withheld	Say When on Pay	Non-Voting
UK	2	41	31	4	6	0	0	0
EU (ex-UK)	7	120	78	20	9	0	0	13
USA & Canada	10	113	58	34	6	15	0	0
Asia (ex-Japan)	3	22	13	1	8	0	0	0
Japan	2	42	40	2	0	0	0	0

Other Markets Available on Request

TABLE 2: ANALYSIS OF UK ALLSHARE VOTING RECOMMENDATIONS

Resolution Type	For	Percentage %	Abstain	Percentage %	Oppose	Percentage %	Total
Annual Reports	2	100.0	0	0.0	0	0.0	2
Remuneration Reports	0	0.0	0	0.0	2	100.0	2
Articles of Association	0	0	0	0	0	0	0
Auditors Appointment	0	0.0	2	100.0	0	0.0	2
Political Donations	0	0.0	2	100.0	0	0.0	2
Directors	17	94.4	1	5.6	0	0.0	18
Dividend	2	100.0	0	0.0	0	0.0	2
Executive Pay Scheme	1	33.3	0	0.0	2	66.7	3

TABLE 3: SIGNIFICANT UK OPPOSE VOTES

Company	Date	Type	Proposal	Recommendation	Oppose Percentage
BUMI PLC	2013-02-21	EGM	To appoint Nathaniel Philip Victor James Rothschild	Oppose	62.38
BUMI PLC	2013-02-21	EGM	To remove Julian Michael Horn-Smith	Oppose	61.35
BUMI PLC	2013-02-21	EGM	To remove Nick von Schirnding	Abstain	60.66
BUMI PLC	2013-02-21	EGM	To remove Graham Ian Holdaway	Oppose	56.94
BUMI PLC	2013-02-21	EGM	To remove Amir Sambodo	Oppose	56.88
BUMI PLC	2013-02-21	EGM	To remove Philip Yeo	Oppose	56.85
BUMI PLC	2013-02-21	EGM	To remove Sony Harsono	Oppose	56.51
BUMI PLC	2013-02-21	EGM	To appoint Brock Gill	For	56.29
BUMI PLC	2013-02-21	EGM	To appoint Hashim Djojohadikusumo	For	56.29
BUMI PLC	2013-02-21	EGM	To appoint Roger Davis	For	56.29
BUMI PLC	2013-02-21	EGM	To appoint Jonathan Simon Djanogly	For	56.29
BUMI PLC	2013-02-21	EGM	Appoint Wallace King as Chairman	For	56.29
BUMI PLC	2013-02-21	EGM	Remove Scott Merrillees as CFO	For	56.27

BUMI PLC	2013-02-21	EGM	Remove Nick von Schirnding as CEO and appoint Brock Gill in his place.	For	56.24
BUMI PLC	2013-02-21	EGM	To remove Samin Tan	Abstain	56.16
BUMI PLC	2013-02-21	EGM	To appoint Wallace King	For	56.15
BUMI PLC	2013-02-21	EGM	To remove Lord Robin William Renwick	For	55.82
BUMI PLC	2013-02-21	EGM	To remove Scott Andrew Merrillees	For	55.67
BUMI PLC	2013-02-21	EGM	To remove Alexander Ramlie	For	55.67
BUMI PLC	2013-02-21	EGM	To remove Jean-Marc Mizrahi	Oppose	48.75
BUMI PLC	2013-02-21	EGM	To appoint Sir Richard Gozney	For	48.1
EASYJET PLC	2013-02-21	AGM	Meeting notification related proposal.	For	46.07
BUMI PLC	2013-02-21	EGM	To remove Nalinkant Rathod	For	45.75
EASYJET PLC	2013-02-21	AGM	Approve the Remuneration Report	Oppose	44.64
EASYJET PLC	2013-02-21	AGM	Issue shares with pre-emption rights	For	44.29
EASYJET PLC	2013-02-21	AGM	Elect Sir Michael Rake	For	44.23
EASYJET PLC	2013-02-21	AGM	Issue shares for cash	For	43.99

ADVANCE DEVELOPING MARKETS FUND LIMITED	2013-03-15	EGM	Approve the Continuation of the Company	For	43.88
ADVANCE DEVELOPING MARKETS FUND LIMITED	2013-03-15	AGM	Approve the Continuation of the Company	For	43.88
HENDERSON VALUE TRUST PLC	2013-03-11	AGM	Re-elect Mr P J Hulse	Oppose	43.69
HENDERSON VALUE TRUST PLC	2013-03-11	AGM	Re-elect Mr G M Fuller	For	43.47
CAPITAL & REGIONAL PLC	2013-01-10	EGM	Approve Rule 9 Waiver	Abstain	40.19
LONMIN PLC	2013-01-31	AGM	Issue shares with pre-emption rights and for cash	For	38.53
ADVANCE DEVELOPING MARKETS FUND LIMITED	2013-03-15	EGM	Re-elect T. Mahony	For	31.93
ADVANCE DEVELOPING MARKETS FUND LIMITED	2013-03-15	AGM	Re-elect T. Mahony	For	31.93
THOMAS COOK GROUP PLC	2013-02-07	AGM	Approve the Remuneration Report	Oppose	28.05
LONMIN PLC	2013-01-31	AGM	Approve the Remuneration Report	Oppose	27.94
SMITHS NEWS PLC	2013-01-24	AGM	Issue shares with pre-emption rights	For	22.14
SMITHS NEWS PLC	2013-01-24	AGM	Issue shares for cash	For	21.66
HENDERSON VALUE TRUST PLC	2013-03-11	AGM	Issue shares for cash	For	21.57
HENDERSON VALUE TRUST PLC	2013-03-11	AGM	Issue Treasury shares for cash	For	21.37

LONMIN PLC	2013-01-31	AGM	Re-elect Len Konar	Abstain	18.76
LONMIN PLC	2013-01-31	AGM	Re-elect Roger Phillimore	For	16.91
HENDERSON VALUE TRUST PLC	2013-03-11	AGM	Re-elect Mr D H Hodson	Oppose	14.82
HENDERSON VALUE TRUST PLC	2013-03-11	AGM	Appoint the auditors and allow the board to determine their remuneration	For	14.55
IMPERIAL TOBACCO GROUP PLC	2013-01-30	AGM	Meeting notification related proposal	For	14.07
GRAINGER PLC	2013-02-06	AGM	Appoint the auditors	Oppose	13.68
GRAINGER PLC	2013-02-06	AGM	Allow the board to determine the auditors remuneration	For	12.99
MEDICX FUND LTD	2013-02-20	AGM	Appoint the auditors	Oppose	12.31
COMPASS GROUP PLC	2013-02-07	AGM	Meeting notification related proposal	For	11.77
GRAINGER PLC	2013-02-06	AGM	Meeting notification related proposal	For	11.6
IMPERIAL TOBACCO GROUP PLC	2013-01-30	AGM	Approve the Share Matching Scheme (SMS)	Oppose	11.5
ABERDEEN ASSET MANAGEMENT PLC	2013-01-17	AGM	Approve the Remuneration Report	Oppose	11.34
TUI TRAVEL PLC	2013-02-07	AGM	Re-elect Horst Baier	Oppose	11.24
LONMIN PLC	2013-01-31	AGM	Modification of the Balanced Scorecard Bonus Plan	Abstain	11.21

TUI TRAVEL PLC	2013-02-07	AGM	Re-elect Tony Campbell	Oppose	11.03
IMPERIAL TOBACCO GROUP PLC	2013-01-30	AGM	Approve the Remuneration Report	Oppose	10.38
TUI TRAVEL PLC	2013-02-07	AGM	Re-elect Sir Michael Hodgkinson	Oppose	10.38

TABLE 4: MEETINGS VOTE / NOT VOTED IN THE QUARTER

Company	Meeting Date	Type	Date Voted	Comment
ROCHE HOLDING AG	2013-03-05	AGM	Not Voted	Non voting shares.
SCHINDLER HOLDING AG	2013-03-26	AGM	Not Voted	Non voting shares.

CLIENT VOTE CHANGES

There were no vote changes during the quarter.

VOTES REJECTED IN THE QUARTER AND EXPLANATION

There were no votes rejected during the quarter.

UK stories

UK audit market under scrutiny

Competition in the audit market is restricted by factors which inhibit companies from switching auditors and by the tendency for auditors to focus on satisfying management rather than shareholder needs, according to the Competition Commission (CC).
In a summary of its provisional findings issued in February, the CC stated that because companies find it difficult to compare alternatives with their existing auditor, prefer continuity and face significant costs in switching, they are reluctant to change auditor and so lack bargaining power. Audit firms outside the 'Big 4', which dominate the market, find it difficult to show that they have sufficient experience and reputation to win the audit engagements of FTSE 350 companies.

Additionally, although auditors are appointed to protect the interests of shareholders, who are therefore the primary customers, too often auditors' focus is on meeting the needs of senior management who are key decision takers on whether to retain their services. This means that competition focuses on factors that are not aligned with shareholder demand.

The CC found that 31 per cent of FTSE 100 companies and 20 per cent of FTSE 250 companies have had the same auditor for more than 20 years, and 67 per cent of FTSE 100 companies and 52 per cent of FTSE 250 companies for more than ten years. The CC adds that the lack of competition is likely to lead to higher prices, lower quality and less innovation for companies and a failure to meet the demands of shareholders and investors.

The CC is now looking at possible ways to encourage greater competition through mandatory tendering and rotation; increasing information and transparency with more frequent reviews and extended reporting requirements; and strengthening accountability and independence by giving audit committees and shareholders greater control of external audit.

The CC findings have been welcomed by investors. At the same time as the Commission's announcement a group of over 30 major European institutional investors and investor associations, managing over EUR 2 trillion in assets, released a Position Paper backing an overhaul of the audit market. The group, which includes some of the UK's biggest investors, is seeking greater transparency around audit, mandatory rotation of the audit firm every 15 years, and a cap on non-audit work at 50% of the audit fee.

Sacha Sadan, director of corporate governance at Legal & General Investment Management: "LGIM welcomes the Competition Commission's provisional findings on the audit market in the UK. We are particularly pleased to see they have supported our proposals on mandatory rotation of auditors."

PIRC believes that the decision of the CC to explore mandatory rotation of auditors is indeed an important development. This is a reform we have advocated for some time and we believe that an increasing number of institutional investors support the idea. Indeed, the group of investors coalesced around the new position paper has made this one of its key proposals for reform.

The alternative proposal for mandatory retendering alone does not go far enough and is unlikely to have a meaningful impact. Given that the concern amongst investors is that audit firms get too close to their clients there is no reason to expect that simply re-tendering would make a difference. A company with a close relationship with its auditor would surely be more likely reappoint them. Therefore in our view mandatory tendering is simply a more sophisticated way of defending the status quo. We hope the Commission sticks to its guns on this one.

Rothschild loses BUMI battle

After all the noise around Febrruary's BUMI EGM, in the end the company was able to (largely) fend off the assault launched by former director Nat Rothschild.[3]

In his attempt to reshape the BUMI board, Rothschild had sought to remove a dozen incumbent directors and replace them with his own team, headed by Brock Gill as chief executive. A core part of the argument between Rothschild and the board was how to resolve the difficult relationship with the Bakrie family. The board's defence was that that a divorce from the Bakries would be harder to achieve under Rothschild's plan. It seems this argument swung some investors, but, arguably, more important were some last minute changes in the ownership of the company which appear to have swung the vote decisively in favour of the board.

As a result, only two directors - Nalinkant Rathod and Jean-Marc Mizrahi – were removed, with the support of 54% and 51% of shareholders respectively. Given that most of the other directors received votes of around 44% in favour of their removal, this may indicate one or more of the significant shareholders wanted these two off the board. In addition just one of Rothschild's nominees - Sir Richard Gozney – was appointed. Again this was with a 51% in favour, compared to around the 43% mark for most other directors. Notably Rothschild himself secured the least support in favour of his appointment, at just under 37%.

So a pretty comprehensive win for the home team after all that.

UK unions turn investor activists

The Trades Union Congress (TUC) and its two largest affiliated unions, Unite and Unison, announced in March the formation of a union shareholder voting group.

The group, called Trade Union Share Owners , has drawn up a set of policy guidelines that will guide how the unions' pension funds vote at AGMs.[2] Focusing initially on the FTSE350, the guidelines cover such issues as the membership of boards, the advertising for new director posts, and the level of top pay and bonuses.

Trade Union Share Owners will start out with over £1 billion of assets between them and the TUC hopes that more of its affiliated unions will want to get involved, as they see this new, co-ordinated approach is an effective way of getting workers' voices heard in company boardrooms. The TUC says that one of the drivers behind forming the group was the recognition that fund managers of union pension funds often vote in ways which do not reflect the views of the union and the ordinary people with money invested. The TUC has been researching shareholder voting for a decade through its Fund Manager Voting Survey.

The group's voting and engagement guidelines have been drawn up to ensure that corporate governance policies that unions have long been critical of – all-male boards, excessive director pay and bonus packages, and the non-advertisement of new director positions – will be challenged by union voting at company AGMs.

The group will use the guidelines to ensure that wherever their money is being invested, shareholder votes are a genuine reflection of their views and of ordinary savers. The guidelines contain a variety of policy positions including:

- Moves to limit the growing gap in the pay of those at the very top and bottom of companies, with the aim of achieving a 20:1 pay ratio, and for pay increases to directors to mirror those being offered to ordinary employees.
- Persuading all companies to become living wage employers on the basis that decent wages lower staff turnover and absence rates, and lead to a more motivated, productive workforce.
- Encouraging companies which are keen to include worker representatives in their corporate governance structures.
- Achieving a balance on company boards between executive and non-executive directors.
- At least a quarter of the board positions to be held by women and for any vacancies to be advertised, rather than people simply being invited to join the board.
- A limit to the number of board positions that directors can hold, and where individuals are unable to devote enough time to their role, their re-election should be opposed.

Investor pushback on auditors?

Over the years we've regularly bemoaned the fact that few investors bother to use the vote to appoint the audit firm as a way to raise concerns. Votes against auditor appointments are typically tiny. But a couple of results early in the UK AGM season gave us some hope.

At Future Plc's AGM in February there was a vote of just over 10% against the appointment of PricewaterhouseCoopers. Given that PwC's fees from non-audit work have been over 50% of the value of audit fees for a few years this could be the explanation.

There was a similar story at Grainger's AGM, held the week before Future's, where PwC was again being reappointed, with a vote against this time of 13.6%. Again it looks like the high value of non-audit work undertaken by PwC, which was worth more than fees relating to the audit, was the trigger for this level of opposition.

Votes of 10% and 13.6% against may not sound like a lot, but cases of auditors actually being removed are almost non-existent, and the average level of opposition is around 1%. As such these votes represent, relatively, significant dissent.

The Code and annual elections

The practice of putting all board members up for annual election has been rapidly and widely adopted, according to research by Grant Thornton.

It found that in the first year following the introduction of the provision for annual elections in the UK Corporate Governance Code, it was adopted by 96% of FTSE 350 companies. Twelve said it discouraged the taking of a long-term view. Prior to the Code being amended, only 6% of companies had annual elections.

The reports states: "This immediate uptake of a new provision is a clear example of the Code's ability to change practice, particularly in areas where shareholder engagement is more evident. With such a clear impact, the temptation may be to resort to legislation to drive change but care must be taken not to dilute or undermine the Code's founding principle of comply or explain."

European Stories

Bonus caps and binding votes

Across Europe popular sentiment seems to be pushing policy on executive pay towards tighter restrictions.

Looking at the bonus cap debate, it's something of a feature of the opposition expressed against the idea that the arguments are unusually unconvincing. It has been argued both that bankers will flee to other jurisdictions (with Switzerland now looking less likely as a destination) and that they will find a way around the rules. We are told both that there is too much focus on a relatively small number of high earners, and that a modest cap on variable pay would make banks' costs so inflexible this will increase systemic risk. These arguments cannot all be true, and the fact that high pay lobbyists have failed to stick to any one in particular leads us to suspect that perhaps none of them are really very strong.

The compromise struck with the cap – to allow a higher ratio to be adopted provided shareholders assent to this – also throws up some interesting questions. Presumably this compromise was adopted on the assumption that shareholders would assent to higher ratios, otherwise what is the point? But what kind of message does that implicitly send about shareholder oversight of pay within banks? Of course one could argue that it demonstrates that the Government thinks shareholders are more rational than politicians who don't really 'get' executive pay. Well, maybe, but it will be interesting to see how these votes are interpreted. There is a real danger that shareholders will be seen as a soft touch if they vote to allow bankers to put their bonuses back up, or to unnecessarily inflate salaries.

Meanwhile events in Switzerland demonstrated that a large majority of the public, even in a very business-friendly economy, want to see a much tougher line taken on top pay. Despite a serious propaganda effort by the Swiss business lobby, and a lack of support from some Swiss institutional investors, in a national referendum more than two-thirds of the public supported a proposal for a binding shareholder vote on pay, plus a bar on golden hellos and golden handshakes. This will make the Swiss regime tougher than that in the UK.

In reality, perhaps the most surprising elements of both the bonus cap and the Swiss proposals are that they remain relatively modest, and that they have taken so long to emerge. Some sort of popular reaction to high pay was always likely, but the policy proposals we have seen so far are really not that radical. They fit within the broad parameters of corporate governance, particularly since shareholder consent is taken as central. But this may not always be the case.

Danish fund screens out Walmart

Danish pension fund PFA Pension announced in January it would no longer invest in Walmart because of company's appalling record on workers' rights, according to trade union HK Commerce.

Per Tønnesen, president of HK Commerce, said PFA Pension had made the right decision: “We can under no circumstances have our member’s pension savings invested in a company responsible for poor work conditions.”

PFA Pension said it was withdrawing an investment of 50 million Danish kroner (8,79 million dollars) from Walmart. PFA Pension’s standards for employee rights are based on conventions from International Labour Organisation (ILO) under the UN.

Novartis rebuffed over pay

If we were going to give friendly advice to companies on how to avoid antagonising their shareholders over executive pay perhaps practical examples would be most helpful. Here’s one – do the opposite of Novartis.

In February, the Swiss pharmaceuticals groups made a catastrophic error of judgment in deciding to award outgoing chief executive Daniel Vasella a CHF78m golden handshake – a non-compete payment of CHF13m over six years. Although Vasella had pledged to use the award for “philanthropic activities” the scale and nature of the award inflamed both public and investor opinion.

Ultimately the company saw sense and pulled the award, but you have to wonder what kind of mindset leads to these kinds of decisions. With the Swiss public about to vote in a referendum on tougher rules on executive pay, this could hardly have come at a worse time for the business lobby
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UBS golden hello creates storm

In March UBS announced that the new head of its investment banking division, Andrea Orcel, would receive a “golden hello” worth almost Sfr25m (£17.5m), a sum that Swiss parliamentarians described as “outrageous”.

The loss-making Swiss bank will pay the Italian banker Sfr6.3m in cash and 1.7m shares (worth SFr18.5m) as "replacement awards" in compensation for lost awards from previous employer, Bank of America Merrill Lynch. Orcel who advised RBS on the ill-fated takeover of ABN Amro told the British Banking Standards Commission in January that banks had become "too arrogant, too self-convinced". He has also recently warned 16,000 UBS investment banking employees that half of them would not receive bonuses in 2013. The case reignited the debate around bankers pay. In the same week the Institute of Directors described the latest payouts of bonuses by Royal Bank of Scotland and Barclays as unacceptable.

France targets top pay

France, one of the leading proponents of the EU's cap on banker's bonuses, is drafting legislation that will increase shareholder power over executive remuneration and clamp down on "golden parachutes" for directors, it emerged in March.

France's Prime Minister, Jean-Marc Ayrault, told parliament that he intended to apply similar measures to those imposed on public sector bosses to the leaders of big private companies. The new law will restrict a number of pay practices and introduce greater transparency into the remuneration of executive staff. Draft legislation is expected before the summer. Europe's second largest economy is thus set to follow Switzerland's path, which recently introduced some of the strictest say-on-pay rules in the world. Action is expected elsewhere in the EU too. Angela Merkel, the German chancellor, recently announced her support for tighter regulation of executive compensation.

As the FT pointed out, executive remuneration is not really set by the interplay of supply and demand, because companies do not properly know executives' productivity. Executives are paid so much because power plays a big role and if governments or shareholders want to lower pay, they have to play the power game too, which is what is currently happening in Europe.

EC consults on long-term finance

In March the European Commission (EC) issued a Green Paper and launched a three-month public consultation on how to foster the supply of long-term financing in Europe.

The EC says long-term investment represents spending that enhances the productive capacity of the economy. This can include energy, transport and communication infrastructure, industrial and service facilities, climate change and eco-innovation technologies, as well as education and research and development. The EC says Europe needs long-term investment to support sustainable growth. It says governments, businesses and households need access to predictable long term financing.

Institutional investors are a clear part of the EC's considerations, with several consultation questions focused directly on their role. The paper seeks views on possible incentives to help promote better long-term shareholder engagement, and on how the mandates given to asset managers can be developed to support long-term investment strategies and relationships. It also asks whether the definition of fiduciary duty should be revisited in the context of long-term financing, also a subject being reviewed by BIS in the UK, following a Kay Review recommendation.

The EC says that follow-up could take several forms, legislative and non-legislative.

US stories

HP rocked by AGM rebellion

In March Hewlett-Packard's board faced one of the largest rebellions of a major US listed company in recent years. At HP's AGM shareholders rebuked the board over recent missteps and a number of directors only narrowly survived the vote.

The AGM in Mountain View, California, witnessed a major protest vote against the re-election of five directors. The two longest-serving directors, John Hammergren and Kennedy Thompson, received 46% and 45% of votes against their re-election. Also Chairman Raymond Lane received 41% of the votes against his return, while 20% voted against the lead independent director.

HP is under increasing pressure after a series of disastrous acquisitions, including a $8,8bn write down on its takeover of the British software firm Autonomy, which is itself accused of false accounting that inflated its value. The Californian Public Employee's Retirement System (CalPERS), which holds more than 8m HP shares, expressed "extreme concern with HP's path in recent years". The fund voted against the re-election of five directors.

14.7 % of shareholders protested against the reappointment of Ernst & Young as auditor, with concerns focusing on the relatively high level of non-audit work done by the firm. The firm has been in charge of HP's accounts for the last 14 years and over $20m of its $50m fees for 2012 were for non-audit work.

All 11 members of the board were re-elected with the required majorities but shareholders supported a proposal allowing them to nominate candidates for the board in future years. Shareholder activist Bill Patterson of the CtW Investment Group stressed that this development will not be very effective unless the company's independent directors will actively protect shareholder rights.

HP's chief executive, Meg Whitman, defended HP's board of directors, which has overseen a halving of the company's share price in the last two years, arguing that the "current line-up helps to turn around the company".

As You Sow Proxy Preview 2013

Investors filing shareholder resolutions at US public companies in 2013 are again focusing on political spending, according to As You Sow. Its *Proxy Preview 2013* documents investors' continued appetite for more disclosure of corporate political spending before and after elections, with 125 resolutions filed on this issue accounting for a third of the total filed. Lobbying has grown to be a top issue, with 51 resolutions, up from 40 in 2012. Two early high votes on lobbying - 37% at VISA and 32% at Accenture - suggest investors haven't lost their appetite for more action. The Center for Political Accountability is coordinating about half the political spending proposals, looking at campaign contributions and spending through non-profit intermediary groups which do not have to name corporate funders.

Looking and environmental and sustainability issues, shareholder proponents seek climate change risk assessments, adaptation strategies, and more action on energy efficiency and target setting. Other environmental resolutions focus on promoting sustainable palm oil production, recycling and product responsibility, toxic materials, and water and forest management. The 92 environmental and sustainability resolutions increasingly look to company supply chains, not just direct operations. An important new SEC decision, reversing earlier precedent, now allows queries about taking into account greenhouse gas emissions in the lending portfolios of banks; PNC Financial and JPMorgan Chase have pending resolutions.

Many of the country's largest institutional investors want more diverse boards. In the work-place, companies increasingly are adopting anti-bias policies for lesbian, gay, bisexual, and transgender (LGBT) employees. But there are still at least two dozen proposals on these subjects. Investors also still want companies with long supply chains in developing countries and guarded operations in conflict zones to step carefully, rethink their engagement in some cases, and anticipate and prevent human rights abuses. Many of the 23 human rights proposals in 2013 invoke the new UN Principles on Business and Human Rights that aim to help this process.

NY funds push Exxon on fracking

The New York City Pension Funds have filed a shareowner proposal calling on Exxon Mobil Corporation to release quantitative data on its efforts to safeguard the public and the environment from its hydraulic fracturing ("fracking") operations.

The risks that fracking poses to water and air quality have led to bans and moratoria in the U.S. and around the globe and could directly affect Exxon's long-term value. The shareowners' call for quantitative measurements is consistent with the U.S. Department of Energy's recommendations on shale gas production. The U.S. Department of Energy recommended in 2011 that companies "adopt a more visible commitment to using quantitative measures as a means of achieving best practice and demonstrating to the public that there is continuous improvement in reducing the environmental impact of shale gas production."

Exxon has repeatedly resisted calls that it provide investors with detailed information on its safety measures. The data that Comptroller Liu and fellow shareowners are requesting includes, but is not limited to: the air emissions from fracking that Exxon has reduced per region per year; the number and kinds of community complaints or grievances and whether they remain open or resolved; the goals and systems used to reduce potentially harmful chemicals in fracturing fluids.

Comptroller Liu and the NYC Pension Funds filed the first-time shareowner proposal jointly with As You Sow, a nonprofit environmental advocacy group that has been engaging Exxon on its fracking practices and disclosures on behalf of the Park Foundation since 2010. Comptroller Liu said: "Fracking carries significant concerns about poisoned drinking water, toxic chemical leaks, and explosions. Exxon Mobil says, 'Don't worry, we've got it covered' and asks us to take it at its word. Until the company shows us hard data on what it has done to protect the public and environment, shareowners cannot be confident that the necessary safeguards exist."

SEC probes E&Y client lobbying

The Securities and Exchange Commission is exploring whether Ernst & Young broke auditor independence rules by lobbying on behalf of major audit clients.

According to a Reuters report, the SEC is looking at activity undertaken by Washington Council Ernst & Young, the firm's lobbying arm, on behalf of corporate clients like Amgen Inc, CVS Caremark Corp and Verizon Communications Inc. According to the report, the status of the SEC probe is not clear, including whether it could result in civil fines.

The US rules covering auditor independence include a bar on any "advocacy role" on behalf of audit clients. Although this appears to be primarily focused on legal advocacy, some commentators have argued that undertaking lobbying activity is still a breach. It is likely some investors would consider that undertaking lobbying on behalf of audit clients would be inappropriate regardless of if it was a breach or not. Reuters notes that Washington Council Ernst & Young is no longer registered as a lobbyist for Amgen, CVS Caremark or Verizon Communications.

Standard Chartered chair blunder

Standard Chartered chair John Peace was forced into an embarrassing apology in March, after admitting that he had made a "legally and factually incorrect" comment relating to the bank's deal with US regulators.[4]

Last December Standard Chartered accepted a $667m fine as part of a settlement with US regulators over the bank's historical compliance with economic sanctions against Iran. At a press conference in early March, Peace had stated that Standard Chartered "had no willful act to avoid sanctions". Clearly someone from the US was listening, as last Thursday Peace issued an RNS statement clarifying that "Standard Chartered Bank unequivocally acknowledges and accepts responsibility… for past knowing and willful criminal conduct in violating US economic sanctions laws and regulations, and related New York criminal laws." Ouch.

Global stories

Aus fund pulls out of News Corp

The A$1.7 billion First Super pension fund in Australia announced plans to sell its holding in News Corp in January in response to the company's failure to improve its governance.[11]

According to reports the fund, which held around A$7m shares, cited the failure of the company to respond to investors concerns about as the reason for its decision. At the company's AGM in Los Angeles last year a proposal seeking the appointment of an independent chair was backed by two thirds of independent shareholders, but was defeated by the Murdoch family's controlling block holding.

Ahead of the AGM the Church of England sold its shares in News Corp stating that it did not believe that the company was responding to dialogue on the need for governance reform

ACSI says diversity progress poor

Australian companies are not doing enough to improve board diversity, according to the Australian Council of Superannuation Investors (ACSI).[8]

In March ACSI published its annual audit into board diversity of ASX 200 companies. ACSI advocates that ASX200 companies should achieve a benchmark of at least 2 women directors on their boards by 2014. Findings of this year's audit show that 15.5% of ASX200 board members are women. This is an increase of 24 women from 2012. Other Key findings of the research in 2013 include:

- A total of 66% of ASX200 companies – 132 – currently underperform the benchmark that ACSI set in 2010 ie. they only have either one or no women on their boards
- For the first time, all ASX50 companies currently have at least 1 woman on the board
- In aggregate, just 15.5% of board positions are held by women (230 positions) – up from 14% (206) in 2012
- Men hold over 1,000 more board positions than women (1,250 men compared with 230 women)
- A total of 164 individual women serve on ASX200 boards – with 28% holding multiple directorships
- There are no ASX200 company boards that have a majority of women
- The median company board is made up of 6 men and 1 woman
- Only 4% (8) of board chairs are women and 4% (8) of CEOs are women.

An additional 12 companies met the ACSI benchmark of at least 2 women on the board in 2013. At this rate it would take until 2024, rather than 2014, to achieve the ACSI benchmark for all ASX200 companies. ACSI says if the EU directive on gender diversity is ratified – 40% women on boards by 2020 – at the current rate, Australia would not achieve it until 2030.

SHARE 2012 Key Votes Survey

While the majority of Canadian shareholders continue to vote with management, a growing number are giving more care and attention to how they vote, with several key votes in 2012 registering 20% or more of shareholders voting against, according to the SHARE Key Proxy Vote Survey.

One highlighted issue is a shareholder proposal at Enbridge Inc. asking the company to report on the risks associated with First Nations' opposition to the Northern Gateway pipeline. Nearly 30% of shareholders voted for the proposal, noting that First Nations' consent plays a pivotal role in the future of the Enbridge proposal.

"The response on the Enbridge shareholder proposal illustrates that shareholders increasingly recognize the investment risks associated with social and environmental issues when they vote," said Peter Chapman, Executive Director of the Shareholder Association for Research and Education (SHARE). "However many institutional investors, including charitable foundations and trusts, are not yet providing guidance to managers and proxy voting service firms to ensure that voting is aligned with their interests."

The 2012 annual Key Proxy Vote Survey analyzed the voting records of 32 firms with combined Canadian equity holdings in excess of $58 billion in 2012. SHARE has been producing the survey since 2001 with the goal of making proxy voting more accessible and encouraging fiduciaries to more rigorously review the work of those that vote proxies on their behalf.

The vote result at SNC-Lavalin also illustrates the increasing willingness of shareholders to vote against management. At SNC-Lavalin's shareholder meeting in May 2012, nearly one-quarter of votes were lodged against the executive compensation package offered to former CEO Pierre Duhaime, which included $1.9 million in salary continuance plus other benefits. This generous severance package was offered despite the on-going criminal investigation into corruption and bribery charges both in Canada and Libya during Mr. Duhaime's tenure.

Global executive market myth

Less than one percent of chief executives of large global companies were poached from a similar job overseas, destroying the myth that an international market exists for executive talent, according to a report published in February.

Research undertaken by the High Pay Centre found that only four chief executives out of 489 companies for which career histories were publicly available were poached while CEOs of another company in a foreign country. All four companies (Peugeot Citroën, Bayer, Holcim and International Airlines) are in Western Europe. Cross-border poaching of current CEOs therefore amounts to only 0.8% of total CEO appointments in the Fortune Global 500.

The Centre found that only 14 CEOs were poached from another country while occupying a role beneath CEO. 11 of these are in Europe, one in China, one in South Korea and one in Australia. Cross-border poaching from beneath the top level therefore amounts to 2.9% of total CEO appointments. In addition in North America, Japan, Latin America and Eastern Europe, not one CEO was appointed from outside the country where the company is based. And overall 80% of CEO appointments in the world’s largest companies are internal promotions; with just 20% being external appointments.

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