



LANCASHIRE QUARTERLY VOTING REPORT

OVERVIEW

1. The Pension Fund received voting recommendations for **3407** resolutions at **244** meetings in the quarter ended **2014-06-30**.
2. The Pension Fund supported **2138** of the resolution (**62.75%**).
3. The Pension Fund voted against on **762** occasions (**22.37%**).
4. The Pension Fund abstained on **196** occasions (**5.75%**).
5. There were **91** non-voting agenda items (**2.67%**).
6. There were **215** withheld agenda items (**6.31%**).
7. There were **4** not supported agenda items (**0.12%**).

TABLE 1: GEOGRAPHIC VOTING OVERVIEW

Geographic Region	Meeting	Resolutions	For	Oppose	Abstain	Withheld	Say When on Pay	Non-Voting
SOUTH AND CENTRAL AMERICA	7	35	16	12	0	7	0	0
REST OF THE WORLD	5	25	17	2	5	0	0	1
ASIA	15	153	86	53	11	0	0	3
NORTH AMERICA	123	1572	858	408	97	208	1	0
UK	21	437	347	63	27	0	0	0
EU	48	908	569	194	54	0	0	87
JAPAN	25	277	245	30	2	0	0	0

TABLE 2: ANALYSIS OF UK ALLSHARE VOTING RECOMMENDATIONS

Resolution Type	For	Percentage %	Abstain	Percentage %	Oppose	Percentage %	Total
Annual Reports	16	80.0	1	5.0	3	15.0	20
Remuneration Reports	18	90.0	2	10.0	0	0.0	20
Articles of Association	1	50.0	0	0.0	1	50.0	2
Auditors Appointment	9	42.86	7	33.33	5	23.81	21
Directors	178	82.41	15	6.94	23	10.65	216
Dividend	17	100.0	0	0.0	0	0.0	17
Executive Pay Scheme	0	0.0	0	0.0	7	100.0	7

TABLE 3: SIGNIFICANT OPPOSE VOTES

Company	Date	Type	Proposal	Recommendation	Oppose Percentage
ROLLS-ROYCE HOLDINGS PLC	2014-05-01	AGM	Authorise Share Repurchase	For	49.98

ASTRAZENECA PLC	2014-04-24	AGM	Elect Jean-Philippe Courtois	Abstain	42.61
ASTRAZENECA PLC	2014-04-24	AGM	Approve the Remuneration Report	For	38.06
RECKITT BENCKISER GROUP PLC	2014-05-07	AGM	Approve the Remuneration Report	For	26.24
PRUDENTIAL PLC	2014-05-15	AGM	Issue shares with pre-emption rights	For	22.02

TABLE 4: MEETINGS VOTE / NOT VOTED IN THE QUARTER

Company	Meeting Date	Type	Date Voted	Comment
BANK OF MONTREAL	2014-04-01	AGM	2014-03-20	Voted
PT BANK NEGARA INDONESIA	2014-04-01	AGM	2014-03-20	Voted
SYNOPSIS INC	2014-04-02	AGM	2014-03-21	Voted
VOLVO AB	2014-04-02	AGM	2014-03-20	Voted
SES SA	2014-04-03	AGM	2014-03-18	Voted
TURKIYE GARANTI BANKASI AS	2014-04-03	AGM	Not Voted	No shares held
BM&F BOVESPA SA	2014-04-07	EGM	2014-03-31	Voted
M 1 LTD	2014-04-07	AGM	2014-03-24	Voted
SWISSCOM AG	2014-04-07	AGM	2014-03-18	Voted
BANK OF NEW YORK MELLON CORP.	2014-04-08	AGM	2014-03-24	Voted
JARDINE MATHESON HLDGS LTD	2014-04-08	EGM	2014-03-21	Voted
ADMIRAL GROUP PLC	2014-04-09	AGM	Not Voted	0 shares to vote
DAIMLER AG	2014-04-09	AGM	2014-03-27	Voted
FAIRFAX FINANCIAL HOLDINGS	2014-04-09	AGM	2014-03-24	Voted

JULIUS BAER GRUPPE AG	2014-04-09	AGM	2014-03-21	Voted
JYSKE BANK	2014-04-10	EGM	2014-03-31	Voted
LVMH (MOET HENNESSY - LOUIS VUITTON) SA	2014-04-10	AGM	2014-03-24	Voted
NATIONAL BANK CANADA	2014-04-10	AGM	2014-03-25	Voted
NESTLE SA	2014-04-10	AGM	2014-04-02	Voted
STARHUB LTD	2014-04-14	EGM	2014-04-02	Voted
STARHUB LTD	2014-04-14	AGM	2014-04-01	Voted
ADECCO SA	2014-04-15	AGM	2014-03-31	Voted
M&T BANK CORP.	2014-04-15	AGM	2014-04-07	Voted
MOODYS CORP.	2014-04-15	AGM	2014-04-02	Voted
BELGACOM SA	2014-04-16	EGM	Not Voted	Shares on loan
BELGACOM SA	2014-04-16	AGM	Not Voted	Shares on loan
BUNZL PLC	2014-04-16	AGM	2014-04-07	Voted
CNH INDUSTRIAL NV	2014-04-16	AGM	2014-04-04	Voted
RTL GROUP	2014-04-16	AGM	Not Voted	0 shares to vote
PEOPLE`S UNITED FINANCIAL INC.	2014-04-17	AGM	2014-04-02	Voted
ARCOS DORADOS HOLDINGS INC	2014-04-21	AGM	Not Voted	0 shares to vote
AMERICAN ELECTRIC POWER CO INC	2014-04-22	AGM	2014-04-10	Voted
ROGERS COMMUNICATIONS -CL B	2014-04-22	AGM	Not Voted	No ballot received
CANADIAN NATIONAL RAILWAY CO	2014-04-23	AGM	2014-04-09	Voted
DRAGON OIL PLC	2014-04-23	AGM	2014-04-09	Voted
AGGREKO PLC	2014-04-24	AGM	2014-04-11	Voted
AGGREKO PLC	2014-04-24	EGM	2014-04-11	Voted

AMEREN CORPORATION	2014-04-24	AGM	2014-04-10	Voted
ASTRAZENECA PLC	2014-04-24	AGM	2014-04-11	Voted
CANADIAN IMPERIAL BANK	2014-04-24	AGM	Not Voted	No ballot received
DISTRIBUIDORA INTERNACIONAL	2014-04-24	AGM	2014-04-14	Voted
GJENSIDIGE FORSIKRING BA	2014-04-24	AGM	2014-04-10	Voted
HEINEKEN NV	2014-04-24	AGM	2014-04-08	Voted
INTUITIVE SURGICAL INC	2014-04-24	AGM	2014-04-09	Voted
JOHNSON & JOHNSON	2014-04-24	AGM	2014-04-14	Voted
LINCOLN ELECTRIC HOLDINGS INC	2014-04-24	AGM	2014-04-09	Voted
LOCKHEED MARTIN CORP.	2014-04-24	AGM	2014-04-15	Voted
PFIZER INC.	2014-04-24	AGM	2014-04-10	Voted
REED ELSEVIER PLC	2014-04-24	AGM	2014-04-11	Voted
SAMPO OYJ	2014-04-24	AGM	2014-04-08	Voted
AT&T INC.	2014-04-25	AGM	2014-04-17	Voted
BANK OF IRELAND	2014-04-25	AGM	2014-04-08	Voted
COMFORTDELGRO CORP LTD	2014-04-25	AGM	2014-04-09	Voted
FLIR SYSTEMS INC.	2014-04-25	AGM	2014-04-09	Voted
CINCINNATI FINANCIAL CORP.	2014-04-26	AGM	2014-04-10	Voted
HARLEY-DAVIDSON INC	2014-04-26	AGM	2014-04-10	Voted
HONEYWELL INTERNATIONAL INC.	2014-04-28	AGM	2014-04-22	Voted
UNITED TECHNOLOGIES CORP	2014-04-28	AGM	2014-04-25	Voted
AKZO NOBEL NV	2014-04-29	AGM	2014-04-11	Voted
ATLAS COPCO AB	2014-04-29	AGM	2014-04-11	Voted

CHUBB CORP.	2014-04-29	AGM	2014-04-22	Voted
DANONE	2014-04-29	AGM	2014-04-14	Voted
HERBALIFE LTD	2014-04-29	AGM	Not Voted	0 shares to vote
HOLCIM LTD	2014-04-29	AGM	2014-04-10	Voted
TERADATA CORP	2014-04-29	AGM	2014-04-22	Voted
THE HERSHEY COMPANY	2014-04-29	AGM	2014-04-23	Voted
BRITISH AMERICAN TOBACCO PLC	2014-04-30	AGM	2014-04-24	Voted
DAVIDE CAMPARI SPA	2014-04-30	AGM	2014-04-23	Voted
MUENCHENER RUECK AG (MUNICH RE)	2014-04-30	AGM	2014-04-11	Voted
MULLEN GROUP LTD	2014-04-30	AGM	2014-04-23	Voted
TULLOW OIL PLC	2014-04-30	AGM	2014-04-24	Voted
ALLIED WORLD ASSURANCE CO AG	2014-05-01	AGM	2014-04-28	Voted
BELL ALIANT INC	2014-05-01	AGM	2014-04-25	Voted
CHURCH & DWIGHT INC	2014-05-01	AGM	2014-04-25	Voted
DTE ENERGY CO.	2014-05-01	AGM	2014-04-25	Voted
EOG RESOURCES INC	2014-05-01	AGM	2014-04-28	Voted
HCP INC	2014-05-01	AGM	2014-04-25	Voted
ITRON INC	2014-05-01	AGM	2014-04-28	Voted
KIMBERLY CLARK CORP	2014-05-01	AGM	2014-04-28	Voted
KONINKLIJKE (ROYAL) PHILIPS ELECTRONICS NV	2014-05-01	AGM	2014-04-16	Voted
MEAD JOHNSON NUTRITION CO	2014-05-01	AGM	2014-04-25	Voted
RITCHIE BROS AUCTIONEERS INC	2014-05-01	AGM	2014-04-25	Voted
ROLLS-ROYCE HOLDINGS PLC	2014-05-01	AGM	2014-04-24	Voted

VERIZON COMMUNICATIONS INC	2014-05-01	AGM	2014-04-24	Voted
ENTERGY CORP.	2014-05-02	AGM	2014-04-28	Voted
NATIONAL HEALTH INVESTORS	2014-05-02	AGM	2014-04-29	Voted
WISCONSIN ENERGY CORP.	2014-05-02	AGM	2014-04-28	Voted
JYSKE BANK	2014-05-05	EGM	2014-04-25	Voted
LILLY (ELI) & CO	2014-05-05	AGM	2014-04-29	Voted
SANOFI	2014-05-05	AGM	2014-04-23	Voted
BCE INC	2014-05-06	AGM	Not Voted	No ballot received
FUGRO NV	2014-05-06	AGM	2014-04-24	Voted
INVESTOR AB	2014-05-06	AGM	2014-04-23	Voted
KRAFT FOODS GROUP INC	2014-05-06	AGM	2014-04-28	Voted
KUEHNE + NAGEL INTERNATIONAL AG	2014-05-06	AGM	2014-04-25	Voted
L-3 COMMUNICATIONS HOLDINGS INC	2014-05-06	AGM	2014-04-30	Voted
REALTY INCOME CORP	2014-05-06	AGM	2014-04-30	Voted
RHEINMETALL AG	2014-05-06	AGM	2014-04-25	Voted
BAE SYSTEMS PLC	2014-05-07	AGM	2014-04-30	Voted
BANK OF AMERICA CORP.	2014-05-07	AGM	2014-05-01	Voted
CRH PLC	2014-05-07	AGM	2014-04-30	Voted
GLAXOSMITHKLINE PLC	2014-05-07	AGM	2014-04-30	Voted
NORSK HYDRO ASA	2014-05-07	AGM	Not Voted	0 Shares to vote
PEPSICO INC.	2014-05-07	AGM	2014-05-01	Voted
PHILIP MORRIS INTERNATIONAL INC.	2014-05-07	AGM	2014-05-02	Voted
RECKITT BENCKISER GROUP PLC	2014-05-07	AGM	2014-04-30	Voted

SCHIBSTED ASA	2014-05-07	AGM	Not Voted	0 shares to vote
SWEDISH MATCH AB	2014-05-07	AGM	2014-04-24	Voted
TRIANGLE CAPITAL CORP	2014-05-07	AGM	2014-05-02	Voted
GPT GROUP	2014-05-08	AGM	2014-05-01	Voted
JARDINE MATHESON HLDGS LTD	2014-05-08	AGM	2014-04-29	Voted
PROVIDENT FINANCIAL GROUP	2014-05-08	AGM	2014-05-01	Voted
REYNOLDS AMERICAN INC	2014-05-08	AGM	2014-05-06	Voted
TENET HEALTHCARE CORP.	2014-05-08	AGM	2014-05-02	Voted
UNITED PARCEL SERVICE INC	2014-05-08	AGM	2014-05-02	Voted
AMERICAN WATER WORKS CO INC	2014-05-09	AGM	2014-05-06	Voted
CREDIT SUISSE GROUP	2014-05-09	AGM	2014-04-30	Voted
CRESCENT POINT ENERGY CORP	2014-05-09	AGM	Not Voted	No ballot received
HANG SENG BANK LTD	2014-05-09	AGM	2014-05-06	Voted
AMERICAN EXPRESS CO	2014-05-12	AGM	2014-05-07	Voted
MARKEL CORP	2014-05-12	AGM	2014-05-07	Voted
PITNEY-BOWES INC	2014-05-12	AGM	2014-05-07	Voted
ROYAL CARIBBEAN CRUISES LTD	2014-05-12	AGM	2014-05-02	Voted
3M COMPANY	2014-05-13	AGM	2014-05-08	Voted
ALTERA CORP.	2014-05-13	AGM	2014-05-06	Voted
BM&F BOVESPA SA	2014-05-13	EGM	2014-05-06	Voted
CATLIN GROUP LTD	2014-05-13	AGM	2014-05-07	Voted
eBAY INC.	2014-05-13	AGM	2014-05-08	Voted
FIRST REPUBLIC BANK	2014-05-13	AGM	2014-05-06	Voted

MANITOBA TELECOM SVCS INC	2014-05-13	AGM	2014-05-06	Voted
NISOURCE INC.	2014-05-13	AGM	2014-05-06	Voted
PARTNERRE LTD	2014-05-13	AGM	2014-05-12	Voted
AIMIA INC	2014-05-14	AGM	2014-05-08	Voted
ALTRIA GROUP INC.	2014-05-14	AGM	2014-05-13	Voted
EVEREST RE GROUP LTD	2014-05-14	AGM	2014-05-13	Voted
Google Inc.	2014-05-14	AGM	2014-05-13	Voted
LABORATORY CORP. OF AMERICA	2014-05-14	AGM	2014-05-08	Voted
NATIONAL OILWELL VARCO INC	2014-05-14	AGM	2014-05-08	Voted
UNILEVER PLC	2014-05-14	AGM	2014-05-08	Voted
WELLPOINT INC	2014-05-14	AGM	2014-05-08	Voted
AMGEN INC.	2014-05-15	AGM	2014-05-12	Voted
CIMAREX ENERGY CO	2014-05-15	AGM	2014-05-13	Voted
DEUTSCHE BOERSE AG	2014-05-15	AGM	2014-05-02	Voted
DEUTSCHE TELEKOM	2014-05-15	AGM	Not Voted	0 shares to vote
DR PEPPER SNAPPLE GROUP INC.	2014-05-15	AGM	2014-05-09	Voted
NEXT PLC	2014-05-15	AGM	2014-05-09	Voted
PRUDENTIAL PLC	2014-05-15	AGM	2014-05-09	Voted
SYDNEY AIRPORT	2014-05-15	AGM	2014-05-08	Voted
TELEVISION BROADCASTS LTD	2014-05-15	AGM	2014-05-07	Voted
UNION PACIFIC CORP.	2014-05-15	AGM	2014-05-14	Voted
WATERS CORPORATION	2014-05-15	AGM	2014-05-12	Voted
MATTEL INC.	2014-05-16	AGM	2014-05-14	Voted

PROGRESSIVE CORP.	2014-05-16	AGM	2014-05-14	Voted
SEATTLE GENETICS INC	2014-05-16	AGM	2014-05-14	Voted
TOTAL SA	2014-05-16	AGM	2014-05-07	Voted
VECTOR GROUP LTD	2014-05-16	AGM	2014-05-14	Voted
CONSOLIDATED EDISON INC	2014-05-19	AGM	2014-05-14	Voted
ALLSTATE CORP.	2014-05-20	AGM	2014-05-14	Voted
LINDE AG	2014-05-20	AGM	2014-05-12	Voted
TERADYNE INC.	2014-05-20	AGM	2014-05-15	Voted
THERMO FISHER SCIENTIFIC INC.	2014-05-20	AGM	2014-05-15	Voted
ULTRA PETROLEUM CORP	2014-05-20	AGM	Not Voted	0 Shares to vote
AMAZON COM INC.	2014-05-21	AGM	2014-05-15	Voted
MONDELEZ INTERNATIONAL INC	2014-05-21	AGM	2014-05-14	Voted
NORTHROP GRUMMAN CORP.	2014-05-21	AGM	2014-05-15	Voted
PINNACLE WEST CAPITAL CORP	2014-05-21	AGM	2014-05-15	Voted
PPL CORP.	2014-05-21	AGM	2014-05-15	Voted
SAP AG	2014-05-21	AGM	Not Voted	0 shares to vote
XCEL ENERGY INC.	2014-05-21	AGM	2014-05-15	Voted
AMLIN PLC	2014-05-22	AGM	2014-05-16	Voted
CHINA MOBILE LTD	2014-05-22	AGM	2014-05-16	Voted
FACEBOOK INC	2014-05-22	AGM	2014-05-16	Voted
HOME DEPOT INC	2014-05-22	AGM	2014-05-16	Voted
INTEL CORP	2014-05-22	AGM	2014-05-16	Voted
MARTIN MARIETTA MATERIALS	2014-05-22	AGM	2014-05-16	Voted

NATIONAL RETAIL PROPERTIES	2014-05-22	AGM	2014-05-16	Voted
NEXTERA ENERGY INC	2014-05-22	AGM	2014-05-16	Voted
THOMSON-REUTERS CORP	2014-05-22	AGM	Not Voted	No ballot received
BM&F BOVESPA SA	2014-05-26	EGM	2014-05-19	Voted
DEUTSCHE POST AG	2014-05-27	AGM	2014-05-14	Voted
LAWSON INC	2014-05-27	AGM	2014-05-15	Voted
LEGRAND SA	2014-05-27	AGM	2014-05-15	Voted
TERNA - RETE ELETTRICA NAZIONALE SPA	2014-05-27	AGM	2014-05-19	Voted
THE TRAVELERS CO'S.	2014-05-27	AGM	2014-05-19	Voted
CENTURYLINK INC	2014-05-28	AGM	2014-05-19	Voted
ILLUMINA INC	2014-05-28	AGM	2014-05-19	Voted
RIOCAN REIT	2014-05-28	AGM	2014-05-19	Voted
SOUTHERN CO.	2014-05-28	AGM	2014-05-19	Voted
TRAVIS PERKINS PLC	2014-05-28	AGM	2014-05-13	Voted
MAIN STREET CAPITAL CORP	2014-05-29	AGM	2014-05-20	Voted
RAYTHEON CO.	2014-05-29	AGM	2014-05-20	Voted
WESTFIELD GROUP	2014-05-29	EGM	2014-05-20	Voted
WESTFIELD GROUP	2014-05-29	AGM	2014-05-20	Voted
WESTFIELD GROUP	2014-05-29	EGM	2014-05-22	Voted
CHINA RESOURCES ENTERPRISES	2014-05-30	AGM	2014-05-20	Voted
SHANDONG WEIGAO GP MED POYL	2014-05-30	AGM	2014-05-20	Voted
ARES CAPITAL CORP	2014-06-02	AGM	2014-05-21	Voted
MASTERCARD INC	2014-06-03	AGM	2014-05-21	Voted

TESLA MOTORS INC	2014-06-03	AGM	Not Voted	0 shares to vote
DEVON ENERGY CORP.	2014-06-04	AGM	Not Voted	Voted
NEW YORK COMMUNITY BANCORP INC	2014-06-04	AGM	2014-05-21	Voted
GENWORTH MI CANADA INC	2014-06-05	AGM	2014-05-21	Voted
LIVE NATION ENTERTAINMENT	2014-06-05	AGM	2014-05-21	Voted
SBERBANK OF RUSSIA OJSC	2014-06-06	AGM	Not Voted	No ballot received
WAL MART STORES INC	2014-06-06	AGM	2014-05-21	Voted
GENERAL MOTORS CO	2014-06-10	AGM	2014-05-28	Voted
TJX COS INC	2014-06-10	AGM	2014-05-28	Voted
CI FINANCIAL CORP	2014-06-11	AGM	2014-05-27	Voted
KEYENCE CORP	2014-06-12	AGM	2014-06-02	Voted
TRIPADVISOR INC -SPN	2014-06-12	AGM	2014-05-28	Voted
TIME WARNER INC.	2014-06-13	AGM	2014-05-30	Voted
TSINGTAO BREWERY CO LTD	2014-06-16	AGM	2014-06-04	Voted
JAPAN EXCHANGE GROUP	2014-06-17	AGM	2014-05-30	Voted
TOYOTA MOTOR CORP	2014-06-17	AGM	2014-05-30	Voted
ASTELLAS PHARMA INC	2014-06-18	AGM	Not Voted	No ballot received
NTT DOCOMO INC	2014-06-19	AGM	2014-06-09	Voted
EISAI CO LTD	2014-06-20	AGM	2014-06-02	Voted
HEALTH NET INC	2014-06-20	AGM	2014-06-09	Voted
TOKYO ELECTRON LTD	2014-06-20	AGM	2014-06-09	Voted
THK CO LTD	2014-06-21	AGM	2014-06-09	Voted
APPLIED MATERIALS INC	2014-06-23	EGM	2014-06-17	Voted

CARMAX INC	2014-06-23	AGM	2014-06-11	Voted
NAMCO BANDAI HLDGS INC	2014-06-23	AGM	2014-06-09	Voted
AUTOBACS SEVEN CO LTD	2014-06-24	AGM	2014-06-09	Voted
KYOWA EXEO CORP	2014-06-24	AGM	2014-06-09	Voted
TAIWAN SEMICONDUCTOR MFG CO	2014-06-24	AGM	2014-06-16	Voted
COCA-COLA HBC AG	2014-06-25	AGM	2014-06-12	Voted
INPEX CORP	2014-06-25	AGM	2014-06-24	Voted
QIAGEN NV	2014-06-25	AGM	2014-06-24	Voted
SANTEN PHARMACEUTICAL	2014-06-25	AGM	2014-06-10	Voted
SHIONOGI & CO LTD	2014-06-25	AGM	2014-06-12	Voted
YAHOO INC.	2014-06-25	AGM	2014-06-19	Voted
DAIWA SECURITIES GROUP INC	2014-06-26	AGM	2014-06-16	Voted
OLYMPUS CORP	2014-06-26	AGM	2014-06-16	Voted
SMC CORP	2014-06-26	AGM	2014-06-16	Voted
HIROSE ELECTRIC CO LTD	2014-06-27	AGM	2014-06-16	Voted
KAKEN PHARMACEUTICAL CO LTD	2014-06-27	AGM	2014-06-16	Voted
KANSAI PAINT CO LTD	2014-06-27	AGM	2014-06-16	Voted
OBIC CO LTD	2014-06-27	AGM	2014-06-17	Voted
ONO PHARMACEUTICAL CO LTD	2014-06-27	AGM	2014-06-17	Voted
ROHM CO LTD	2014-06-27	AGM	2014-06-17	Voted
TAKEDA PHARMACEUTICAL CO	2014-06-27	AGM	2014-06-16	Voted
ICICI BANK LTD	2014-06-30	AGM	2014-06-18	Voted
MARTIN MARIETTA MATERIALS	2014-06-30	EGM	2014-06-18	Voted

TABLE 5: GEOGRAPHICAL COUNT OF ALL SUPPORTED MEETINGS

SOUTH AND CENTRAL AMERICA			
Meetings	Count All For	AGM	EGM
7	0	0	0
REST OF THE WORLD			
Meetings	Count All For	AGM	EGM
5	2	0	2
ASIA			
Meetings	Count All For	AGM	EGM
15	0	0	0
NORTH AMERICA			
Meetings	Count All For	AGM	EGM
123	0	0	0
UK			
Meetings	Count All For	AGM	EGM
21	1	0	1
EU			
Meetings	Count All For	AGM	EGM
48	1	1	0
JAPAN			
Meetings	Count All For	AGM	EGM
25	8	8	0

Vote Changes

PIRC was not notified of any vote changes during the quarter.

UK

Rio Tinto Group (GBP)

AGM 15TH APRIL 2014 London

Dividend policy and remuneration were the major issues at this British-Australian multinational metals and mining corporation.

Annual Report: It is a concern that shareholders have no say on the dividend policy which goes against best practice

Remuneration Policy: Overall disclosure was acceptable. The maximum potential award for the Executives can be up to 640% of base salary which is considered to be excessive. The company does not disclose the ratio of CEO pay to average employee pay. However, this ratio has been estimated and is also deemed to be disproportionate. The total CEO pay awarded compared to TSR performance over the last five years is thought to be excessive. Moreover, there is no evidence of schemes available to enable all employees to benefit from business success without subscription.

The recruitment practices for Executives leave much to be desired. The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers with an initial notice period of 24 months, reducing to 12 months after two years. Regarding termination payments, there is evidence that upside discretion can be used when determining severance payments. In addition, it appears that some legacy contracts will remain in place after the adoption of the new policy. Finally, it is noted that under normal circumstances, the outstanding PSP awards will not lapse and will vest at the scheduling date depending on the achievement of the performance conditions. If the executive leaves the Group during the first 36 months from the date of grant of the award, the number of shares that can vest will be reduced pro rata over that 36-month period. The overall balance of Incentives and Rewards is uneven and that the recruitment policies were not within best practice.

Remuneration Report: The Company has disclosed the amounts payable to each director for all aspects of their remuneration. Realised awards during the year under review were considered excessive as the CEO's variable remuneration amounted to approximately 315% of his base salary. In addition, the 'other benefits' payments allowed by the current policy and which were made to the CEO and the Finance Director during the year, also raised concerns and are contrary to best practice.

Approval of potential termination payments: The conditions under which these payments are awarded as set out in the Remuneration Policy. It is considered inappropriate for Executives who leave the Company to retain their outstanding awards, which depend on performance conditions that they will not influence.

Board of Directors: Simon Thompson, Robert Brown, Jan Du Plessis (Chairman), Michael Fitzpatrick, Ann Godbehere, Paul Tellier, John Varley are considered to be independent non-executive directors. Lord Kerr and Richard Goodmanson are not considered to be independent as they have been on the Board for more than nine years.

There were concerns regarding Anne Lauvergeon as a newly appointed independent non-executive director due to concerns over her aggregate time commitments. The only executive position put to a vote is for the Finance Director, Chris Lynch.

Barclays PLC

AGM

24th April 2014

Barclays' accounting concerns and challenges to its business model over executive pay are issues at this year's annual meeting, as well as concerns over individual directors.

Annual Report: Barclays PLC had a £5.8bn rights issue in the year following a review by the Prudential Regulation Authority of the capital position of banks, in particular the leverage ratio. PIRC has consistently argued that profits and net assets (shareholders funds) are systemically overstated by the IFRS incurred loss model (not booking likely losses). The PRA review of Spring 2013 identified this problem and its resolution has followed a similar approach by taking a forward view of losses for the leverage ratio calculation and capital adequacy. The net effect in the case of Barclays is a 13.6% overstatement of reported IFRS capital. This includes £5.6bn of >12 month expected losses and £1.8bn of unbooked deferred bonuses. Barclay's leverage ratio, with new capital from the rights issue is 3% - the minimum amount required by the PRA. This 3% requirement together with the foregoing explains why Barclays needed a rights issue. Barclays has not disclosed a comparative figure. However, the rights issue announcement disclosed the PRA adjusted figure as 2.2%. The Salz Review recognised that Barclays accounting - whilst probably compliant with accounting standards - was aggressive such as with the Protium vehicle.

Moreover, Barclays' dividend per share stands at 6.5p. It is noted that no dividend vote has been put forward for shareholder approval. This was an omission of a fundamental share right.

Remuneration Report: The Remuneration report had good disclosure and has attempted to explain every aspect of the monies paid to executive directors. It was noted that no LTIP awards will vest, with respect to the performance period ending FY 2013. Moreover, the CEO has decided to waive his bonus in light of the Rights Issue, restructuring costs and costs associated with legacy issues. However, there remained concerns relating to several aspects of the pay in 2013, mainly regarding the £1.2m bonus given to the new Finance Director, the use

of the Role Based Pay (RBP) to circumvent the spirit of the CRD IV regulations and the increase in bonus pool, given the relatively lower financial performance of the Bank.

Remuneration Policy: There were several concerns with Barclays' remuneration policy. The most significant one related to the way the Bank has circumvented the spirit of the CRD IV regulations by creating another fixed component of the remuneration package, named the Role Based Pay (RBP). This has the effect of increasing the fixed portion and therefore mitigating the reduction in bonuses envisaged by the EU regulations. Also noted was the creation of a Remuneration Review Panel which provides recommendations to the Board Remuneration Committee. Barclays claimed that this panel is independent of the business and comprises Risk, Compliance, Internal Audit and HR representation. The Remuneration Committee should not be influenced by such interests, irrespective of their function within the company.

Approval for a fixed to variable remuneration ratio of 1:2 for Remuneration Code Staff: Barclays is requested shareholder approval for an increase in the limit to the annual Bonus from 100% to 200% of fixed pay. Approval of this resolution will result in the variable cap being some four times base salary, which is considered excessive. Also, given that the intent of the bank is to ignore the spirit of the new CRD IV cap, this was considered to be unacceptable.

To elect Mike Ashley: The company wished to appoint Mr Ashley as Independent Non-Executive Director. However, Barclays has a record of aggressive accounting and it is noted that Mr Ashley was senior Risk Partner at KPMG, which audited several banks which failed. Mr Ashley is in effect replacing another former KPMG partner and given his own direct involvement in accounting standard setting and his endorsement of accounting standards that can accommodate or require aggressive accounting, issues surround his election. This is particularly relevant given that aggressive accounting techniques have been associated with high levels of executive pay, which the Barclays Board does not appear to have mitigated.

To re-elect Sir John Sunderland: Sir John is an Independent Non-Executive Director. However, in his evidence to the Parliamentary Commission on Banking Standards, Sir John declared no regrets about the bonus paid to Mr Diamond in 2011/12. It is noted that he also recommended a bonus pool of some £2.4bn for FY 2013 (up by 10% from 2012), despite acknowledging in his opening statement as Chairman of the Remuneration Committee that profits were down in that same year. This raised concerns over pay, in particular in comparison to the dividend and the rights issue in the year.

Reckitt Benckiser Group plc

AGM 7TH May UK

Independence, remuneration policy and female board representation figured as the main governance issues at this FTSE100 health, hygiene and home products company.

Election of Directors: Non Executive Directors Mr Peter Harf, Mr Kenneth Hydon and Ms Judith Spreiser are not considered independent and the board lacked independent representation. Mr Adrian Bellamy is Chair of the company. No target for female representation on the Board by 2015 was disclosed. Current representation stood at 10% (One director). As Mr Bellamy is Chair of the Nomination Committee as well as chairman of the board this dual role could lead to inappropriate influence on the committee's deliberations for succession planning.

Remuneration Policy; Maximum potential payouts under all incentive schemes for the Executives were considered excessive. There was no maximum cap disclosed as a percentage of base salary for the LTIP awards. The ratio of CEO pay compared to average employee pay was disclosed and was estimated to be 160:1 which is considered excessive. The LTIP uses three-year earnings growth as the sole performance measure, however best practice is to use at least two performance criteria in a concurrent fashion. The three-year performance period, without further holding requirement is also not considered sufficiently long-term. The recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers, which is an inappropriate practice. Provision for upside discretion existed in determining severance payments.

PIRC Initial Analysis—LGPS Proposals Announcement by Minister of State

Sword of Damocles – Sheathed!

Government U-Turn on Local Government Pension Scheme mergers, but pooled investments now proposed.

In a long awaited response to the interminable consultation process on Local Government Pension Scheme (LGPS) merger proposals, Minister of State Brandon Lewis announced on 1st May that he had hit a roadblock and announced that his previous merger plans were not to be pursued.

After a lengthy consultation exercise had not produced the results wanted, and before the final deadline had been reached, the Minister commenced a short tender for studies around three of his objectives for change in LGPS arrangements.

Hymans Robertson won that tender and their report has now also been publicly released by the Minister on the same day, reportedly having been completed 5 months previously and held back until May.

A further consultation was launched, focussing on reducing asset management costs and further savings, drawing heavily on the Hymans Report. The document proposes two new universal asset pools for each LGPS fund in England and Wales to use in order to take advantage of asset managers who can provide indexed strategies and to reduce procurement costs. In addition, it is also proposed that each fund continues to make its own asset allocation plans in using these pools.

Initial analysis seems to indicate that the report appears to rely on limited/sample data and assumptions in order to create a total LGPS 'fund' from which to do the modelling. The impact on each fund in terms of savings and returns does not appear to be addressed.

Overall savings across the sector indicate less than 3% savings on the investment administration costs of a £170 billion asset pool. It is possible that if all funds have to use the collective investment vehicles, some funds will have an increase in costs and/or reduced return, with some funds 'subsidising' others.

The structure and operating arrangements of the collective investment vehicles are yet to be determined and considerable work will be involved in their set up and operation. Crucially the assumed costs of running such vehicles can only be superficially accurate. Moreover, of course the question remains open over who will be paying for the set up costs.

The consultation document has no mention of discharging appropriate stewardship responsibilities (in which the LGPS is a leader) and governance of the underlying investments receives no mention. How will company engagement and proxy voting operate and at what level, the fund level, a collective investment board or at operating manger level?

Of course, a number of LGPS funds have been very careful about full indexation in some markets, such as emerging markets due to the unacceptable governance of some companies and for some by deciding to avoid being an investor in many high ESG risk-rated companies.

LGPS funds do not want to find themselves in a similar position to the Church of England with portfolios holding the infamous 'pay-day-lender' stocks.

Finally, the consultation document concedes that LGPS funds offer better value for money (VFM), in comparison with private sector funds, with lower fees being achieved without detriment to returns.

There is much to review and continue to analyse in both documents, and as a spicy topic for all funds to reflect on in their response, the Hymans Report (pp 104 para 8.5) provides an assessment of the various legal challenges with the pooled funds proposals by the Squire Sanders law firm that says in part:

'In conclusion, although it would be possible, subject to the constitutional framework under which a common investment vehicle was established under options 1 and 2, for the trustees of occupational pension schemes to participate in such a vehicle, there is no mechanism by which trustees could be forced to do so. The fact that the trustees of the schemes under question are responsible for discharging liabilities that may in the past have stemmed from public sector schemes does not alter this analysis.'

Clearly passive management, in a number of significant markets can be a better option than active management for some funds. In addition, by working together and creating scale in some investment areas, some funds get better value for money. Do these two points justify compulsion being applied to all funds, even if it will not improve the position of some funds? A 'comply or explain' approach could be a more sensible option.

When pension fund consultants advising funds see this report, will they be making recommendations to their clients now to end active management and do themselves out of some fee income?

EU

Swatch Group AG

AGM 14th May G Switzerland

Board and compensation committee independence were the chief issues at this FTSE EuroFirst high visibility timepiece and accessories maker.

Financial Statements and Statutory Reports: There were concerns around the executive representation on both the audit and remuneration committees which was considered contrary to best practice. In addition, no separate vote on remuneration was made available to shareholders.

Board Composition was also an issue. The re-election of Ms Nayla Hayek, (Non Executive Chair) Ms Esther Grether, Mr Ernst Tanner and Mr Claude Nicollier raises questions of independence. Ms. Hayek is the daughter of the founder of Swatch Group. In addition and since 2007 has had an executive function within the Hayek Group, the controlling shareholder. Where there is either a majority or controlling shareholder it is considered best practice for the Board Chairman to be independent of that shareholder to ensure that minority shareholder rights are protected.

Ms Grether has served on the board for more than nine years and holds 7.1% of the companies voting rights. Both Mr Tanner and Mr Nicoller have served on the board for more than nine years.

Compensation Committee: Best practice is for such a committee to consist solely of independent non-executive directors. The appointments of Ms Nayla Hayek, Ms Esther Grether, Mr Ernst Tanner and Mr Claude Nicollier did not meet this standard in dependence. Mr Georges N. Hayek was also not considered independent and as an executive director also has an interest in matters to be determined by the committee.

EU Audit Reforms Approved

The EU statutory audit market took a sizeable step towards reform, when the European Parliament endorsed new audit regulations in a plenary vote in Brussels on 3 April.

Under the new regulations, it will be mandatory for European companies to rotate their auditors at 10-year intervals, though this can be extended to 24 years if companies tender their audit contract at the decade mark or appoint another audit firm to do a joint-audit.

Audit firms will also be prohibited from providing financial and investment counselling, tax advice, and non-audit services to the companies they audit. These changes are focused on “limiting risk of conflicts of interest” that can develop when auditors are involved in making decisions affecting management of the companies they audit, according to an EU press release.

Other changes are aimed at improving the content and informational value of the statutory Auditor’s report. For instance, “requiring the inclusion of key areas of risk of material misstatement of the annual or consolidated financial statements,” the EU press release states.

The push for reform has partly ridden on the sentiment following the financial crisis; the fact that numerous financial institutions revealed huge losses in the wake of the financial crisis despite the public appearance of clean audit reports. This led many to question whether more could be done to help reduce the ‘expectation gap’ between the perceptions of what auditors should be delivering and what they are bound to deliver.

One of the key advocates for change to the Company Auditor relationship was the European Internal Market and Services Commissioner, Michael Barnier. “These new measures will reduce risks of excessive familiarity between statutory auditors and their clients, encourage fresh thinking, and limit conflicts of interest.”

Once formally adopted into European Law later this year, Member States will have two years to adopt and publish the provisions necessary to comply with the majority of the regulatory requirements.

The alterations to the audit market are already in line with changes suggested by the UK Competition Commission back in October 2013.

No need for Code breaking

Committee decides that the Belgian code doesn’t need to change

In a refreshingly brief and to the point statement, the Belgian Corporate Governance Committee last week announced that it had decided to do nothing.

The Belgian Governance Code was produced in 2009 and four years on, a monitoring committee evaluated the need for changes. In a statement the Belgian Corporate Governance Committee says, “On the basis of a [study](#) from Allen & Overy which discusses several specific themes and places the 2009 Code in comparison to the codes of several neighbouring countries, and a private meeting with the chairmen and CEOs of the listed companies, the Commission has decided that there is (yet) no need to adapt the Code 2009.”

The Allen & Overy study referred to in the statement carries a surprising admission. The report states that “The Belgian 2009 Code includes recommendations that are sometimes more stringent and sometimes weaker than the law.” Surely, shoring up any existing recommendations that are below legal standards would be a logical starting point?

When the committee next evaluates whether changes to the code are needed it might wish to take the radical step of dropping recommendations which encourage companies to behave in a way that is not tolerated by legislation.

USA

Boeing Company

AGM 28th Apr

Separation of Chair & CEO roles, remuneration, transparency of political activity and shareholder rights were the key issues at this global S&P500 aerospace, defence and commercial aircraft conglomerate.

Board Composition: Mr W James McNerney Jr., the current Chairman, is also President and Chief Executive Officer. It is considered best practice for the Chair and CEO role to be separated.

Pay Structure: The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The performance targets that determine the award of annual bonuses were disclosed for the year under review but not the forthcoming year. The performance targets attached to the annual bonus and other performance-based awards were not considered challenging. There is potential for excessive awards as a result of a change-in-control.

Annual Share Incentive Plan: The Board sought approval to amend and restate The Boeing Company 2003 Incentive Stock Plan. The Company did not provide details of the performance criteria for vesting of performance shares or units, or restrictive stock or units. Stock options have no performance criteria beyond time-based vesting and the compensation committee retains discretion over when they are exercisable. In addition, resulting payments were considered excessive, with potential maximum payments of \$94,590,000 for the CEO and \$37,836,000 for any other participant.

Shareholder Resolution, Disclose Lobbying: The company faced a shareholder resolution calling for disclosure of all political lobbying activity by the company and all donations to lobbying groups and peak bodies. Boeing was one of many major US companies to face similar resolutions at the AGM. It was not considered that not all lobbying activity by the company, as defined by the proponent, had been disclosed and that all shareholder funds were accounted for. The amounts of shareholder funds mentioned were considered to be material and that this figure may not include grassroots lobbying to directly influence legislation by mobilizing public support or opposition. The annual report was considered to be a reasonable vehicle for disclosure. The Board opposed the resolution.

Shareholder Resolution, Written Consent: The proponents are requesting that the board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting.

The Board acknowledges that there are limited circumstances in which shareholder action by written consent may be in the long-term interest of Boeing's shareholders. As a result, Boeing's governing documents already permit shareholder action by written consent on the prior recommendation of the Board. The sanctioning of communication in writing with Directors as an option for shareholders when seeking to protect their interests in the Company would constitute an improvement in shareholder rights.

Shareholder Resolution, Independent Chairman: The proponent is requesting that the Board of Directors adopt a policy, and amend other governing documents as necessary to reflect this policy, to require the Chair of our Board of Directors to be an independent member of our Board. This independence requirement shall apply prospectively so as not to violate any contractual obligation at the time this resolution is adopted. The Board was against the proposal. The separation of roles is supported as best practice in corporate governance.

Approval of Pay Structure: As a result of SEC legislation that has entered into force (Section 951 of The 'Dodd-Frank' Act), the company had submitted a proposal for shareholder ratification of its executive compensation policy and practices. It was noted that total CEO Compensation has risen by over 31% to USD \$15.74m despite a fall in diluted EPS by almost two-thirds from USD \$1.66 to USD \$0.56. In 2013, the vote against the Executive Compensation was 18.71%.

Bank of America Corporation

AGM 7TH May Charlotte, North Carolina

Executive compensation, shareholder director nominations, climate risk and disclosure of political lobbying were the key governance matters before the AGM of this S&P500 banking conglomerate.

Board Composition: Overall, it was considered that the Board has sufficient independent representation.

Advisory Vote on executive compensation: The Company submitted a proposal for shareholder ratification of its executive compensation policy and practices. Specific performance targets for the annual bonus are not disclosed. The committee does not provide material disclosures to assure shareholders that targets are challenging. There was a concern over the Compensation Committee having discretion in awarding additional bonuses. Only 50% of long term awards have performance based vesting.

Approval of Amendment to the Series T Preferred Stock: The Company was seeking shareholder approval of the amendment to the certificate of designations for the 6% Cumulative Perpetual Preferred Stock, Series T (the Series T Preferred Stock). The Series T Preferred Stock currently does not qualify as Tier 1 capital. If shareholders were to approve the Amendment at the annual meeting, the Tier 1 capital would increase by approximately \$2.9 billion, which will benefit the Tier 1 capital and leverage ratios, each of which is an important measure of the Company's regulatory capital adequacy.

Berkshire Hathaway Inc. and its affiliates are the holders of 100% of the outstanding shares of Series T Preferred Stock and have agreed to allow Bank of America as an irrevocable proxy to vote their shares of Series T Preferred Stock in favour of the Amendment. There are concerns regarding the Board's ability to tailor the vote as deemed appropriate by the Board. Additionally it is considered that the amended terms of this series of preferred stock will not benefit all shareholders equally.

Shareholder Resolution, Introduce cumulative voting; The proponent was requesting that the Board of Directors take the necessary steps to provide for cumulative voting in the election of directors, which means each shareholder shall be entitled to as many votes as shall equal the number of shares he or she owns multiplied by the number of directors to be elected, and he or she may cast all of such votes for a single candidate, or any two or more of them as he or she may see fit. The Board are against this proposal and argue that cumulative voting could be used by special interest groups to elect one or more directors sharing those groups' narrow interests, and that it could interfere with a diverse, balanced and effective Board. Cumulative voting systems are not supported as they can potentially allow small shareholder groups to have a disproportionate influence over the election of directors. The principle of "one share, one vote" is supported as best practice.

Shareholder Resolution, Proxy Access: The proponent requested the Board, to amend the governing documents to allow shareholders or groups of shareholders to make direct board nominations according to specified criteria around disclosure, stock holdings and eligibility periods with distribution of information relating to candidates and associated legal requirements distributed to all stockholder prior to elections for board positions. The Board opposed the resolution. The move, which would strengthen shareholder democracy and the requested threshold for holding requirement for nominators, is considered sufficient. In addition, the nomination of new Board members may assist independence in the oversight of the company. (Note: a similar proposal at the 2013 AGM received **For Vote** of 8.7 %.)

Shareholder Resolution, Climate Change Report: The proponents requested that the Board report to shareholders by September 2014, at reasonable cost and omitting proprietary information, Bank of America's assessment of the greenhouse gas emissions resulting from its financing portfolio and its exposure to climate change risk in its lending, investing, and financing activities. The Board believe that the company already provides publicly available information on the greenhouse gas emissions attributed to one of its most carbon-intensive business portfolios and the associated company policies and procedures to address related risks and opportunities. The proponent requests that the board publicly report on the company's indirect GHG exposure via its financing activities and its portfolio exposure to climate change risks. The company currently reports an estimate of its overall exposure to carbon emissions from its financing relationships with electric utilities. However, this reporting is only partial and does not address emissions from the company's clients in other industries. It is considered a reasonable practice that the board should commit to reporting on how climate change issues are integrated within its direct and indirect financing activities and its overall portfolio exposure.

Shareholder Resolution, Lobbying Report: The proponent had requested that the Board authorize the preparation of a report, updated annually, disclosing all political lobbying activity. The Board were against the proposal. It is viewed that not all lobbying activity by the company, as defined by the proponent, has been disclosed and that all shareholder funds should be accounted for as the amounts of shareholder funds mentioned are considered to be material, inclusion in the annual report is considered be a reasonable request for disclosure.

PIRC Global

Moscow revamps listing rules

New rules focus on governance and reporting The Moscow Exchange has introduced new listing rules with an increased focus on governance and IFRS results. The rules came into effect on 9th June with a revised list of securities admitted to trading. The list has been split into three sections, Level 1 and Level 2, both of which are quotation lists and Level 3 which is a non-quotation list.

Level 1 is compiled of securities that were previously on the A1 and A2 quotation lists. Level 2 is made up of former constituents of the B, V and I quotation lists. Level 3 includes securities that had been in the 'Unlisted' and 'Admitted to placement' sections. Reporting standards have become stricter with companies now having to provide three years of IFRS results as opposed to just one before. Free float has now also become a factor in determining on which level a security should be placed. Following the introduction of the new Russian corporate governance code, in order to be included in Level 1 at least 20% and no less than three directors on a board must be independent. Additionally boards are required to create majority non-executive audit, nomination and remuneration committees.

'The listing reform broadens opportunities for conservative institutional investors, while also increasing requirements for issuers, including in corporate governance', said Equity and Bond Market Managing Director Anna Kuznetsova.

As a result of the changes, the top tier of securities has increased from 478 to 535. The number of stocks has risen from 38 to 65. New rules have also been introduced in order for bonds to be issued at Level 1. It is required that the issuer, guarantor, or issue must have a credit rating, with the minimum rating having been increased by two notches. Mutual funds must also now meet minimum NAV and liquidity requirements to be listed. To be included in Level 1 a mutual fund must have a NAV of at least 1 billion roubles, for Level 2, 300 million roubles and 150 million for Level Asia.

London Stock Exchange Joins Sustainable Stock Exchange Initiative

LSE Group adds weight to global initiative pushing for improved ESG disclosure and standards amongst publicly listed companies. The LSE Group has joined nine other global exchanges participating in the United Nation Sustainable Stock Exchanges Initiative (SSE) in which listing authorities commit to encouraging sustainable investment and corporate transparency on environmental, social and corporate governance issues.

The 2nd July announcement sees the LSE join with partner exchanges across the developed world and emerging markets including Brazil, India, South Africa, the NYSE Euronext and NASDAQ.

Originally launched in 2009 by Ban Ki-moon, the addition of the London Exchange is seen as a breakthrough for the SSE which is backed by a group of international sustainability heavyweights including UNCTAD, the UN Finance Initiative and the Principles for Responsible Investment (PRI).

‘Stock exchanges have a crucial role to play in enhancing both the quality and quantity of environmental, social and corporate governance reporting by companies listed on their exchanges, and we are pleased to welcome the London Stock Exchange to the UN SSE initiative.’

‘Only 3 percent of the world’s largest companies currently disclose information about their ESG performance.’

‘Better disclosure will improve the usefulness and comparability of information being reported in each market, enabling institutional investors to better manage risk and make more informed investment decisions.’

‘Those companies that improve their internal ESG measurement and subsequent disclosure around emerging common global standards are the companies that will be best positioned for tomorrow, to attract and retain support from decision makers and asset owners looking for sustainable returns’ Fiona Reynolds, CEO Principles for Responsible Investment said.

‘Given our role at the heart of global financial markets, we are in a unique and privileged position to promote sustainability and corporate responsibility’ Mark Makepeace from the LSE Group commented.

According to an October 2013 benchmarking report into global stock exchanges by Canadian sustainability research and advisory firm CK Capital, the London Exchange sat just outside of the Top 10, at No 11, the ASX at 17, Hong Kong at 23 and New York down the list at 33.

Further developments on this initiative are expected to be discussed by global stock exchanges at their Sustainability Working Group later this year and members of the SSE will also be meeting as part of UNCTADS 4TH World Investment Forum in early October.

Aussie Rules – Three steps forward, five steps back

Rule changes see a mix of setbacks and advances for shareholder rights in one of the Southern Hemisphere’s biggest exchanges. The Australian Stock Exchange (ASX) released the final version of its proposed governance-related amendments to the ASX Listing Rules on 6 May 2014. The changes follow a consultation process commenced in August 2013, with a further round of comments sought in February 2014.

The changes are not all for the best.

It is disappointing to note that some information which must currently be disclosed in the Annual Report will no longer be required. For example, listed entities will no longer be required to include their Corporate Governance Statement disclosing the extent to which it has followed the Principals and Recommendations in the Annual Report. Publication of a simple link to the corporate website will suffice. The changes switch responsibilities from companies to investors creating obstacles to effective stewardship.

Of particular concern is the impetus this change gives to the gradual weakening of the link between voting rights and the disclosures which inform those rights.

Although, the online corporate governance statement still has to state a date at which the information posted is current, Australian boards still need not sign off on governance arrangements at the same date as signing off on financial statements. In confirmation of a worrying trend for shareholders the ASX have now added a note to the rules confirming that where employee incentive schemes allow participation by external consultants and contractors this does not prevent them from being an employee incentive scheme for the purposes of Listing Rules. Most new schemes in the US and Australia now allow share awards to consultants.

Higher dilution limits for truly all-employee schemes are usually waved through by shareholders but in general, employee share schemes should be just that. Increased participation by consultants with short-term interests and with remuneration that typically compensates for relative lack of employment security should now make shareholders think twice about tolerating higher levels of dilution.

In another regressive step, the proposed rules now rule out disclosure to the ASX of provisions in directors' contracts which indemnify them from liability. This is surely an area of legitimate shareholder interest. Shareholders should take no comfort from the caveat that provisions which don't comply with laws in the jurisdiction where an entity is established still need to be disclosed. It seems highly unlikely that there will be any exceptional disclosures.

A related change redefines 'related entity' away from the legal definition contained in Section 9 of the Corporations Act. Currently a CEO's contractual agreement with an entity related to the company must be disclosed. This seems sensible. The new rules only require such disclosure where the entity is a 'child' to the company. The narrower definition creates a disclosure loophole. Elsewhere in the proposed changes, the ASX abandons the Corporations Act definition of 'associate' in favour of its own definition. This unhelpful divergence from legal definitions muddies the regulatory waters and tends towards regulation by bodies which are themselves less accountable to the public interest than legislators.

In a surprising move away from the principle of subjecting board pay to shareholder approval the proposed change to the rule dealing with directors' fees sets up the possibility that direct shareholder approval will no longer be needed for a proportion of fees. Any 'special exertion' fees and out-of-pocket expenses are not included in the aggregate limit to be approved by shareholders. This new 'special exertion' definition strangely includes attendance at certain board committee meetings. 'Out of pocket' expenses are no longer limited to those relating to attendance at board or committee meetings. Shareholders can expect the proportion of unapproved board fees to rise.

Not all of the changes are negative. Some helpful clarifications have been added to the existing rules. In future there should be no confusion over the validity of an instruction to abstain in the Australian market.

Even where there is no abstention tick box on the proxy form the new rules make clear that proxy forms may include a general statement that a proxy is authorised to abstain at their discretion.

It is also pleasing to see that the ASX has resisted corporate lobbying which sought to defer shareholder approval of option grants until the company had decided to satisfy the grant by issuing new shares rather than acquiring them on-market.

Finally, some help is on its way for hard pressed governance researchers struggling to locate each of the governance disclosures required by the ASX Corporate Governance Council Recommendations. The current rules only prescribe a location for disclosure of non-compliance. Companies will now be required to complete a new Appendix 4G for the ASX which is far more prescriptive about location of the information needed to judge compliance with the ASX recommendations.

Subject to receipt of the necessary regulatory approvals under the Corporations Act, the changes to the Listing Rules will come into effect from 1 July 2014.

PRI Powers On

Global ESG body adds signatories and substance. In a further sign of the mainstreaming by asset owners of governance and sustainability issues the Principles for Responsible Investment (PRI) have announced total signatory assets under management has topped \$US45 trillion as at April 2014, with a record sign-up rate in the last year seeing signatory numbers rise to 1265.

'The updated figures come after analysis of the most rigorous data set on global responsible investment activity ever collected by the PRI. The closure of the first reporting round under our new framework saw more than 800 investors disclose how they are implementing the PRI's six Principles across their portfolios to help create a more sustainable financial system' PRI CEO Fiona Reynolds said.

New signatories include the high profile Harvard University Endowment with US financial sector participants now comprising 22 asset owners, 139 asset managers, and 33 professional service partners. The Green Investment Bank, Unilever Pension Fund and Greater Manchester Pension Fund are amongst new UK and European based members.

SRI and Social Media

Twitter accounts each tell their own story. Inveterate responsible investment blogger [Mondrosi](#) has compiled a handy list of almost 200 SRI related Twitter accounts. While not definitive (it is yet to include @lapfforum) it's a very handily categorised listing of SRI & ESG research analysts, ratings and advisory agencies, advocacy networks, asset managers, companies and some asset owners who are active in this space. If nothing else, the growing list demonstrates the diversity of SRI based news, analysis and information now constantly circulating in this arm of social media. Anyone who dips in and out of the #esg, #sri, #csr, #corpgov, #sustainability and related hashtags know that much of what appears on Twitter today often ends up in more conventional outlets.

For best results, simply follow any individual or organisation on the list that looks interesting.

UK, Europe & US

New accounting rule a boost for investors

Investors will find it easier to compare the performance of companies around the world following the culmination of a 12-year project to bring together US and international revenue reporting. Accounting regulators in the US and Europe published a joint standard on how companies report revenue from contracts with customers. Eliminating the differences in reporting makes it easier for investors to compare companies in different countries and also removes the risk that some companies are exploiting the varied rules to flatter their bottom lines.

Christoph Hütten, chief accounting officer at German computer software company [SAP](#), called the initiative a “crown jewel of the effort of global standards”.

A company’s revenue, known as its top line, is the amount of money that it receives during a specific period. Costs are taken off the revenue figure to determine a company’s net income.

Companies in the telecoms, construction, real estate and software industries are likely to be the most affected by the new standard. Many sell packages of goods or services, such as a car dealer selling a vehicle with extended warranties and insurance, or a telecoms company selling a mobile phone package on a fixed-period contract. The amount of revenue recognised should not change, but when a company is allowed to recognise it will.

Peter Elwin, head of accounting research at JPMorgan, said: “The joint standard should give more consistency within sectors and provide greater granularity of revenue components in sectors such as telecoms.”

Since the process of converging US and European accounting standards began a decade ago, revenue recognition has been seen as a priority. Regulators have become increasingly vigilant over the ways that companies book sales in the wake of the financial crisis. They are concerned that companies may be tempted to be optimistic and report sales earlier than they should.

Under the current approach to revenue recognition, US companies are overseen by the Generally Accepted Accounting Principles and face a more prescriptive regime with specific guidance for different sectors.

In Europe, accounts are supervised by the International Financial Reporting Standards, which revolves around principles rather than rules.

Dr Nigel Sleigh-Johnson, head of the financial reporting faculty at ICAEW, the UK accountancy body, said implementing the new standard could be a challenge. “This will involve assessing the impact of the standard on all the company’s revenue streams and determining what customers pay for each element of goods and services sold as packages. This can be a complicated task.”

It may also raise questions about executive pay, which some companies link to revenue.

The global standard will take effect in 2017 and is subject to endorsement by individual jurisdictions.

Japan

GPIF gets behind governance reform

Japans largest pension fund the lead in supporting new Stewardship Code

The decision by GPIF, the \$1.3t national pension fund to sign the newly minted Japanese Stewardship Code is a welcome development in the push to reform aspects of the Japanese economy and improve corporate governance.

GPIF occupies a dominant position amongst local institutional investors and signing onto the code will place increasing pressure on its traditionally moribund outsourced asset managers to become more active around engagement and share voting issues.

The Financial Services Authority (FSA) released a draft Stewardship Code in January built around seven core governance principles designed to 'promote sustainable growth of the investee company and enhance the medium and long term investment return of clients and beneficiaries.'

Modelled in part on the 'comply or explain' regime of the UK Code, asset owners and managers are being encouraged by the FSA to undertake 'purposeful dialogue' with underlying companies.

Given the recent interim report of the 'Ito Review' from the Ministry of Economy, Trade and Industry (METI) concluded that only 200 of 1600 domestic companies surveyed had exhibited positive returns (including dividends) in the last 20 years, the exhortation for 'purposeful dialogue' is more than reasonable.

The US based Council of Institutional Investors has added their support with a letter direct to PM Shinzo Abe supporting governance reform.

The Governance challenge for Japan

Corporate reform is a key factor for future growth.

Reforming corporate governance practices is now acknowledged as one of the underlying challenges Japan faces in implementing the 'third arrow' of the Abenomics agenda.

January saw the release of a draft Stewardship Code by the Financial Services Authority (PIRC Alerts Jan 22nd) and now a Panel set up by the Tokyo Stock Exchange to examine options to revitalise markets has released its own recommendations, adding pressure for changes to corporate decision making.

Amongst its key recommendations are proposals to ‘foster an environment that leads to better corporate governance.’ These include establishment of the Corporate Governance Code and follow-up on the development of and promote the Japanese Stewardship Code.

The Report also calls for lower cross-shareholding; a major challenge to the structure of Japanese companies is that they consist of cross-shareholdings among banks, insurance companies and other enterprises.

Governance has also been identified by international investors as the vehicle to put pressure on Japan to improve overall corporate performance, with recent analysis by the Ministry of Economy Trade and Industry via the ‘Ito Review’ confirming very indifferent long-term returns.

The Japanese Stock Exchange pleads to have learned the lesson. The ambition of Prime Minister Mr. Abe is to make Japan Asia’s preferred financial centre. A less-than-adequate governance system continues to undermine the confidence of international investors in local markets.

International investors seem to have united with Mr. Abe on a two-fold challenge to the corporate governance of Japanese companies that sees ownership structures being dominated by large conglomerates, complex webs of cross holdings, directorships and commercial relationships.

The presence of independent directors on the board of Japanese companies is an issue by itself. In 2013, almost 600 of the largest listed Japanese firms (approximately 43%) had no outside (independent) directors on their board.

Other major regional economies including South Korea, China and India require at least some presence of independent directors on the board of listed companies. It is fair to acknowledge that significant governance issues exist in all three countries particularly China and India.

Where independent board representation does exist, it is not always effective. Part of the high profile 2011 Olympus accounting scandal was attributed to the absence of any effective challenge moved to the management from its three independent directors.

It remains to be seen whether the TSE will adopt a governance code at all, and under what conditions. At the moment, there does not seem to be consensus among Japanese listed companies.

The Japan Business Federation (Keidanren) is trying to give demonstrate that its companies can regulate themselves without law-imposed rules.

In early 2014, it announced that it will prepare its own corporate governance code, although it was widely seen as inadequate, leaving out requirements to ‘comply’ to a standard where companies would merely need to explain their current practices.

For domestic savers and foreign investors, another successful bid to thwart reform will be regarded not only as a blow to the prospects of Abenomics, but as an own goal by a business lobby that believes the global trend for better governance can be resisted indefinitely.

Tokyo Electric Power Company Inc

AGM 26TH June

Transparency of information and shareholder accountability were the key governance issues at this high profile electric utility.

Board Representation: There was support for newly nominated Executive Directors Mr Anegawa Takafumi and Mr Sano Toshihiro, as well as for newly nominated Independent Non-Executive Outside Director, Mr Kunii Hideko, as well as support for Mr Sudou Masahiko and Mr Masuda Hiroya; for Kobayashi Mitsuyoshi, Independent Non-Executive Outside Director, Representative Director and Independent Non-Executive Outside Directors Fujimori Yoshiaki and Mr Sudo Fumio and for Executive Directors Shimada Takashi, Naitou Yoshihiro and Hirose Naomi

Shareholder Proposals: The English version of the supporting material has not been made available to shareholders on any of the Shareholder Proposals. This is considered to be a frustration of shareholder accountability. The topics of these resolutions were diverse and included the following: Election of Kawai Hiroyuki, Koga Shogaku and Lida Tetsuya as alternative directors; Amendment to the Articles of Incorporation (Plan business without relying on nuclear generation); Amendment to the Articles of Incorporation (Close Kashiwabara-Kariba Nuclear Station); Amendment to the Articles of Incorporation (Close Fukushima II Nuclear Station); Amendment to the Articles of Incorporation (Appropriate Treatment of employee working in nuclear plants); Amendment to the Articles of Incorporation (Adoption of quality criteria in selecting suppliers); Amendment to the Articles of Incorporation (End re-use of nuclear fuels); Amendment to the Articles of Incorporation (Stop construction of Totsu Nuclear Station); Amendment to the Articles of Incorporation (Stop contamination in affected area); and Amendment to the Articles of Incorporation (Maintenance of neutral position in case of derivative action against directors).

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