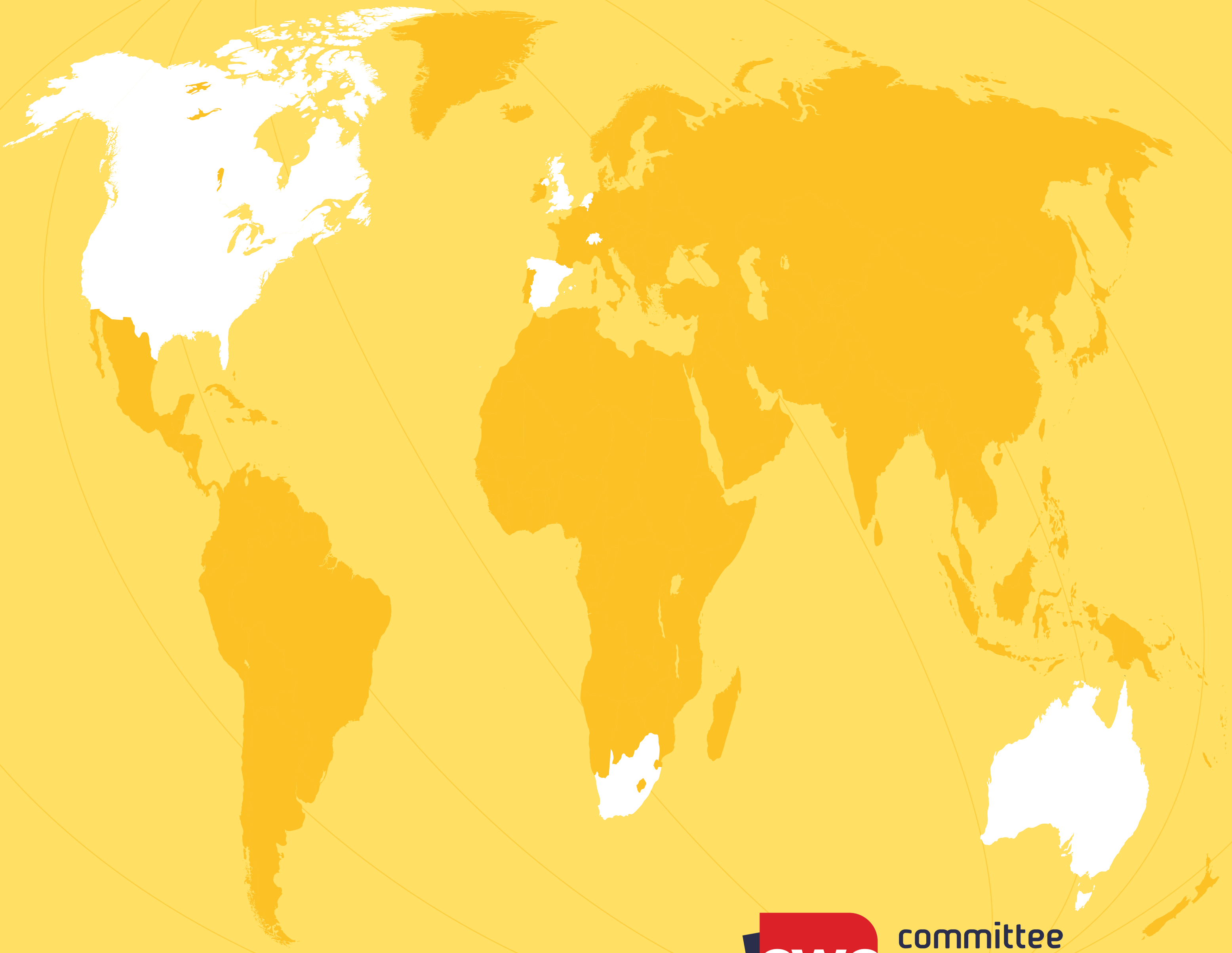
# Global Proxy Review

A pension trustee's guide to key shareholder votes in 2012



Global Unions Committee on Workers' Capital

## About the CWC

The Global Unions Committee on Workers' Capital (CWC) is an international labour union network for dialogue and action on the responsible investment of workers' retirement savings. It is a joint initiative of the International Trade Union Confederation (ITUC), the Global Unions Federation (GUFs), and the Trade Union Advisory Committee to the OECD (TUAC).

The CWC works to educate union pension trustees on responsible investment issues, monitor global trends and policies related to corporate and financial market governance, and examine ways in which the responsible investment of workers' capital can yield economic and social value in our communities.


## Acknowledgements

The *Global Proxy Review* project was developed through the CWC Working Group on Shareholder Activism. This is the second annual report from the project.

Global Proxy Review is compiled in a collaborative effort with labour and responsible investment organizations across the globe. The following partners generously contributed data, time and expertise to this report:

- **Australia:** Emily Dellios, Australian Council of Super Investors
- **Canada:** Catherine Smith, Irene Kauryzhka and Peter Chapman, Shareholder Association for Research and Education
- **The Netherlands:** Rients Abma, Eumedion
- **South Africa:** Michelle Taal and Mikaela Ronnholm, Labour Research Service; Zithulele Cindi, Unity Incorporation; and Dusty Ngwane, National Union of Mineworkers
- **Spain:** Mario Enrique Sánchez Richter, Confederación Sindical de Comisiones Obreras (CS CCOO)
- **Switzerland:** Dr. Yola Biedermann, Ethos Foundation
- **United Kingdom:** Janet Williamson, Trades Union Congress; Tom Powdrill, Pensions Investment Research Consultants (PIRC)
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# Global Proxy Review

## A pension trustee's guide to key shareholder votes in 2012

# 1.0 Introduction

The Global Unions Committee on Workers' Capital (CWC) promotes the responsible investment of workers' retirement savings. Through the Global Proxy Review project we hope to provide employee and trade union pension fund trustees with important information that can support dialogue with fund and proxy voting managers to address environmental, social, and corporate governance (ESG) issues that are important to the labour movement. The key vote information in this report allows trustees to evaluate how global proxy votes were cast on their behalf during 2011/2012.

## Why the report is needed, and how it came about

Trustees of pension funds invested in foreign equities are often in the dark about how shareholder votes are cast on behalf of plan beneficiaries. Labour-affiliated and responsible investment organizations in Canada, Switzerland, the UK and the US issue reports on how investment managers vote proxies. However, these reports cover only domestic investment funds and companies.

The lack of cross-national data on key proxy votes were noted by trade union pension trustees active in the CWC's working group on shareholder activism. They requested the CWC to address this knowledge gap. As a result our Proxy Review project, launched in 2011, surveys important national markets for key shareholder votes at multinational corporations likely to be held in the global equity portfolios of major institutional investors. The 2011 pilot report highlighted over 50 key votes from six countries.

## What you will find in this report

In this second Global Proxy Review report, the CWC has expanded the geographic scope to eight countries. The report covers 40 votes at company annual general meetings (AGMs) during the fourth quarter of 2011 (in Australia) through the third quarter of 2012. In the following pages you will find:

- A detailed description of the project's methodology;
- A "Votes at a glance" section that summarizes and maps the findings of the 2012 report;
- An overview of how proxy voting fits in the broader context of the responsible investment of workers' capital;
- A page for each country introducing the project partners and detailing important information about the context of their selected votes, followed by a detailed summary of each key vote;
- A trustee checklist of votes that can be used when communicating with proxy voting services and fund managers.

## Easy on-line access

This year the CWC has also launched an interactive web-based version of Global Proxy Review at www.workerscapital.org/proxyreview. The website allows you to search key votes according to your needs, and will compile votes from multiple years over time. You will find links to more information about project partners, companies and other useful resources. There is also an evaluation survey so you can help us improve this tool in future years.

## 2.0 Methodology

### Step 1: Development of vote selection criteria

CWC staff developed criteria for vote selection, which was reviewed and approved by the project partners. Collaborators considered existing proxy voting surveys, proxy voting recommendations, and proxy voting guidelines published by project partners, as well as the United Nations Principles of Responsible Investment when developing the criteria.

Partners were asked to select votes:

- That occurred at widely-held, large-cap[1] companies likely to be included in international investment portfolios;
- On proposals from either management or shareholders, but for which the partner recommended opposing the management position;
- For which the partner recommendation can be supported with a concise, clear cut, and defensible rationale within the environmental, social and governance (ESG) pillars of responsible investing.

### Step 2: Application of criteria to national key votes

Each partner applied the criteria systematically to select five key proxy votes at companies based in their home countries.

### Step 3: Review of selected votes and final report

Project partners and the CWC Secretariat audited the complete set of votes to ensure consistency with the vote selection criteria. Project partners and members of CWC's Shareholder Activism working group reviewed the final report before publication.

As noted in the endnotes, data about company finances and employees was retrieved primarily by accessing annual reports online, or was included in partner submissions to the report. Currency figures are as reported in the original documents in order to avoid any discrepancy that may arise from conversion to a single currency. Figures are rounded off in the appropriate currency.

## Canada

KEY VOTE ISSUES

- Frequency of say-on-pay votes
- 'Blank-cheque' share issuance
- Director elections
- Performance-based pay
- Social risk disclosure

## The Netherlands

KEY VOTE ISSUES

- Board governance
- Executive remuneration
- Shareholder rights
- Questionable stock options

## Spain

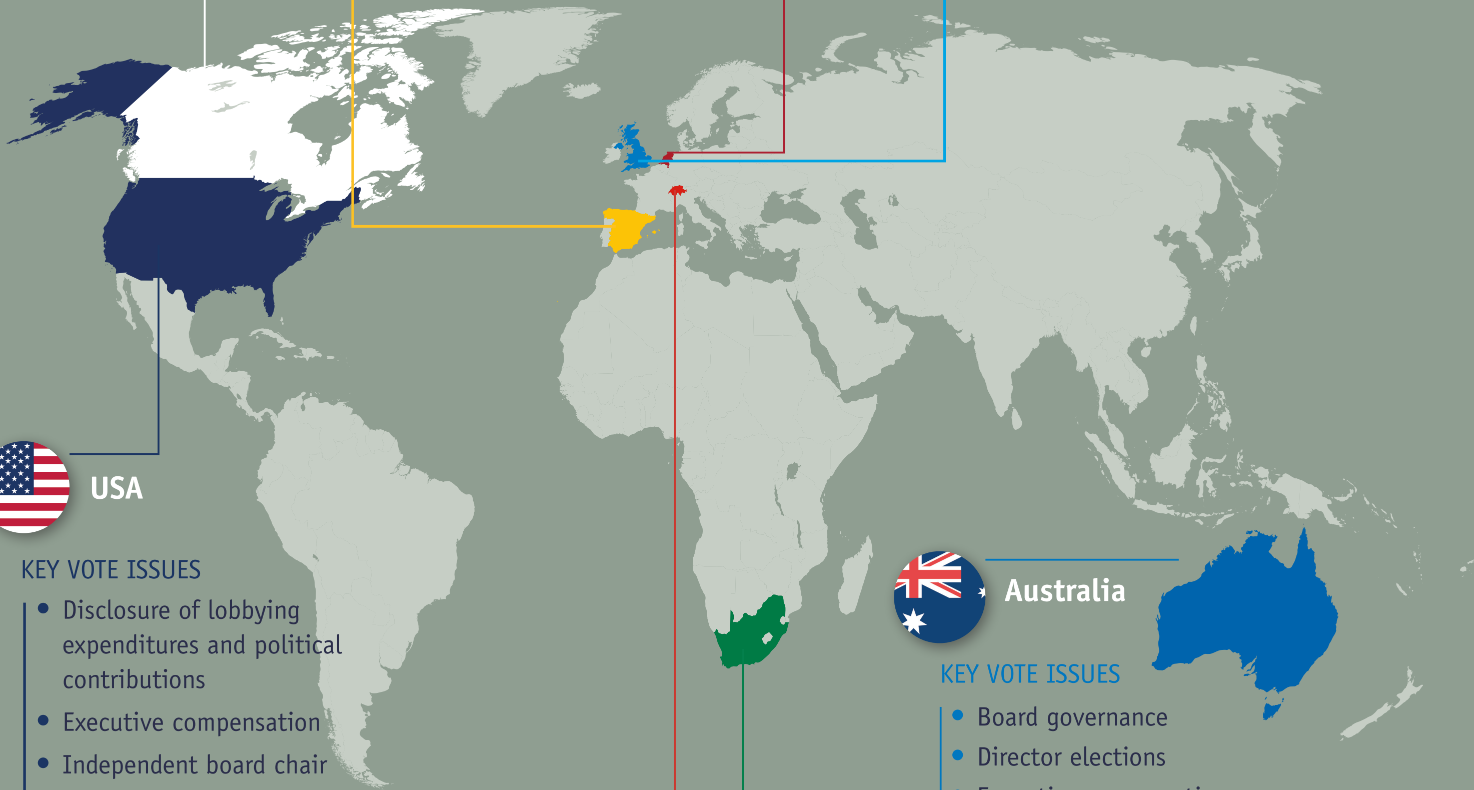
KEY VOTE ISSUES

- Auditor re-election
- Board governance
- Director election
- Executive compensation

## UK

KEY VOTE ISSUES

- Executive remuneration
- Election of remuneration committee chair



## USA

KEY VOTE ISSUES

- Disclosure of lobbying expenditures and political contributions
- Executive compensation
- Independent board chair
- Shareholder rights

## Australia

KEY VOTE ISSUES

- Board governance
- Director elections
- Executive remuneration

## Switzerland

KEY VOTE ISSUES

- 'Blank-cheque' share issuances
- Director election
- Executive remuneration
- Major auditing and financial reporting problems

## South Africa

KEY VOTE ISSUES

- Share allotment
- Share buybacks
- Share swap

## 3.0 Votes at a glance

### Geographic scope

The 2012 Global Proxy Review report includes key votes submitted by project partners in Australia, Canada, the Netherlands, South Africa, Spain, Switzerland, the United Kingdom and the United States.

### Sectors

The selected votes occurred at companies in 20 sectors.2 Multiple key votes fell into the following sectors: Banks and Financial Services; Oil & Gas Producers and Oil Equipment, Services & Distribution; and, Mining or Industrial Metals & Mining. Other sectors represented are: Construction & Materials; Fixed Line Telecommunications; General Industrials; General Retailers; Health Care Equipment & Services; Household Goods & Home Construction; Industrial Engineering; Industrial Transportation; Media; Nonlife Insurance; Personal Goods; Real Estate Investment Trusts; Software & Computer Services; Travel & Leisure.

### Key issues and themes

Although Global Proxy Review is not a representative survey of proxy voting, some interesting trends can be noted in the votes selected for this report. Mirroring general patterns on the substantive content addressed at company AGMs, over 90% of the key votes in this report pertain to classic corporate governance issues such as executive remuneration and board elections.

For example, of the 38 votes included, 14, or 37%, were so-called ‘say-on-pay’ votes on executive compensation or remuneration policies and reports. This indicates a general trend in shareholder voting to address the issue of excessive executive pay, and the evolving regulatory trends in different countries on this issue. Of the countries included in this report, the Netherlands requires binding say-on-pay votes for new remuneration plans and policies. The UK, which now requires advisory votes, will implement a policy similar to the Netherlands starting in 2013. Spain and the US require advisory say-on-pay votes. Australian say-on-pay votes are partially binding, as they can trigger special board elections. Similarly, in Canada and Switzerland shareholders have been increasingly successful in pressuring companies to voluntarily hold say-on-pay votes.

The selected votes also make it apparent that classifying shareholder votes according to a strict division between social, environmental or corporate governance (ESG) issues is tricky at best. For example, shareholders expressed displeasure with the violation of ethical standards for journalism by NewsCorp when it came to light that agents hired by the company used phone hacking tactics that violated the privacy of victims of crime and terror attacks in London.  However the mechanism shareholders used for holding the company to account for its role in the scandal was through director elections. As such, the vote at NewsCorp could be seen as straddling both social issue of media ethics and corporate governance issues.

Likewise, the shareholders' proposal at Enbridge that requested the company to report on the risks associated with aboriginal opposition to the Northern Gateway pipeline straddles issues of corporate disclosure around social and environmental risks. It is well-documented that an oil spill from this pipeline or tanker ships at the terminus would destroy ecosystems, water supplies, and the livelihoods of people living in the area, many of whom are aboriginal.

The difficulty in strictly classifying votes under the ESG rubric poses an analytical challenge in systematically categorizing which issues are emerging on the proxy-voting agendas at major multinational companies, and how the nature of these issues may be evolving.

A number of governance and structural factors make it relatively rare for a majority of shareholders to vote against management. Often shareholders seeking change hope for a vote result to be significant enough to catch the attention of the company's management and motivate dialogue on important issues. In this context, a quarter of selected votes are cases where majority votes were cast against management recommendations. Further in-depth study of these votes could shed light on the factors, strategies and corporate governance contexts that facilitate such an outcome.

Finally, it should be noted that differences in regulation, pension systems, the size of funds and the culture of corporate-investor relations are all factors that affect the substance and results of shareholder votes in different countries. For example, while shareholders in North America have a long history of filing proposals, regulations in other countries either do not permit shareholder proposals or establish prohibitive threshold requirements for filing rights. Although comparing these differences and their effects on specific responsible investment issues merits further investigation, these aspects are beyond the scope of this report.

# 4.0 Global proxy voting in context

## Workers' capital, active ownership and responsible investment

The term "workers' capital" primarily refers to employees' retirement savings. These savings are often invested in the shares of both national and multinational companies through domestic and global equity funds. Thus, as the ultimate beneficiaries and owners of retirement funds, workers are the indirect owners of a substantial portion of the world's equities.

The international labour movement supports an active ownership approach to the investment of workers' capital. To protect the long-term security of workers' pensions, and the sustainability of the global economy, these funds should be managed based on the environmental, social and governance (ESG) principles of responsible investment. Pension fund trustees play an essential watchdog role to ensure sustainable returns and social benefit. This role has become increasingly important, particularly since the 2008 global financial crisis spurred regulatory change for better investment oversight and accountability.[4]

## Incorporating ESG into trusteeship

Trustees often face considerable challenges in implementing ESG investment management in general, and in the oversight of proxy voting practices in particular. A trustee is one link in a complex chain between pension beneficiaries and the companies their pension fund is invested in. The chain also includes service providers such as fund managers, proxy voting agencies, and shareholder engagement services. It can be difficult to get clear information from these providers, making it harder for workers and their pension trustees to understand the risks, opportunities, and responsibilities of investment, and potential avenues for effective shareholder action.[5]

Conflicts of interest within investment chains can complicate relationships between fiduciaries, beneficiaries and asset manager, and may decrease the efficiency, impartiality, and returns of investments.[6] For example, service providers may serve parties with conflicting interests, such as advising companies on corporate social responsibility while also voting proxies at the same companies on behalf of institutional investors. Similarly, directors of the boards of public pension plans may simultaneously serve on the boards of corporations in which the plans invest.

In this context, trustees and fund managers have fiduciary duties and responsibilities governed by national laws and regulations. While these policies may differ across jurisdictions, fiduciaries are generally obligated to manage assets prudently, in the sole interests of investors. Because of real and perceived legal limitations, the exercise of fiduciary duty is often focused primarily on maximizing financial returns within an acceptable level of risk. This focus has fuelled a belief that considering ESG issues may diminish investment performance, and is therefore not consistent with fiduciary responsibility.

Despite the challenges, ESG issues are being addressed to a greater degree within investment decision making.[7] There is strong evidence that not only is ESG integration consistent with fiduciary duty, can also reduce risk and enhance the long-term financial gains of pension and other investment funds.[8] In fact, fiduciaries and fund managers may be obligated to consider ESG principles in decision-making.[9] Policymakers and regulators are bolstering these trends with efforts to improve and require corporate disclosure and reporting on ESG issues.[10]

## Proxy voting as a responsible investment strategy

Active ownership and responsible investment include the exercise of shareholder rights. Shareholder voting is one of the primary means by which investors can influence a company's operations, and its impacts on society at large. For pension funds, these voting rights are often exercised by proxy. Proxy voting is therefore a powerful opportunity for action to promote labour values, human rights, and ESG principles.[11]

In order to pursue this opportunity, trustees need an understanding of how proxy voting works and how to interpret the results of proxy votes. The distribution of shares affects the prospects and outcomes of votes, and varies widely by company. Large financial institutions that tend to support management may hold a majority of a company's shares. At some companies, founders, families or board directors own large blocks of shares. And some companies issue different classes of shares that carry different voting rights.

In this context, the significance of a vote result depends to a large extent on the issue and the company. Although it is generally rare to win a majority vote against management, and some shareholder votes are non-binding, there are many examples of companies responding to votes and making significant changes in corporate behaviour.[12] Indeed, shareholder votes that are important to the labour movement often form part of larger, longer-term strategies or campaigns to improve corporate impacts and behaviour.

## Proxy voting oversight

If proxy voting provides opportunities to change corporate behaviour, monitoring how service providers exercise proxy voting rights is an important part of a trustee's fiduciary responsibility.

In order to do this effectively and responsibly, pension trustees need accurate and trustworthy information. While some labour trustees can access voting recommendations and surveys of voting records in their own national markets,[13] little comprehensive information is available to guide international proxy voting. Significant differences in national regulatory frameworks and corporate governance cultures can also make it difficult for trustees to track and understand proxy voting and vote outcomes on a global scale.

The Global Proxy Review reports are tools to help pension trustees navigate these challenges in pursuit of the responsible investment of workers' capital. Using the information in the following pages, and the key vote checklist provided Section 6.0, trustees can:

- Evaluate performance when selecting and/or monitoring their plan's service providers;
- Initiate a dialogue with service providers about key global ESG issues;
- Encourage service providers to disclose, update or develop specific investment and proxy voting guidelines based on ESG principles, or develop guidelines specific to their own pension funds; and
- Protect the long-term interests of pension investors and promote labour values in investment decision-making.

# 5.0 Key votes in 2012

## 5.1 AUSTRALIA

**CWC partner: Australian Council of Superannuation Investors (ACSI)**

ACSI represents 39 profit-for-members superannuation funds that collectively manage over $350 billion in investments on behalf of Australian superannuation fund members. ACSI assists its member superannuation funds to manage environmental, social and governance (ESG) investment risks.

ACSI's overriding objective is to ensure that our members are equipped to deal with ESG risks in their investments in a practical way.

ACSI's vision is to achieve genuine, measurable and permanent improvements in the ESG performance of entities in which our members invest, and in the ESG investment practices of our members and their investment managers and advisers.

ACSI selected key votes at these Australian companies:

- BlueScope Steel Limited
- Crown Limited
- NewsCorporation Limited
- OneSteel Limited
- Pacific Brands Limited

### Key votes overview

ACSI selected three say-on-pay votes, one vote to oppose a 'no-vacancy' amendment to board bylaws, and director elections at NewsCorp. These votes took place in the third quarter of 2011 as proxy season occurs between September and November in Australia.

The Australian market has had a 'say-on-pay' for shareholders since 2005 through a non-binding vote on executive compensation. This development is among the reasons for the relatively high level of engagement between institutional investors and company boards on key governance issues in Australia.

The 2011 proxy season was the first since changes to Australian corporations law introduced the 'two strikes' rule on remuneration. A 'first strike' occurs when a company's remuneration report receives an against vote of 25% or more. If this occurs, a company's subsequent remuneration report is expected to include an explanation as to the board's proposed response or, if no action is proposed, their reason for inaction. A 'second strike' occurs when a company's subsequent remuneration report receives an against vote of 25% or more. In addition, a 'spill resolution' is to be put to shareholders at the same meeting as the subsequent remuneration report (i.e. the report on which a 'second strike' may occur). In the event that a 'second strike' occurs and the spill resolution is passed, a board spill meeting is required to be held within 90 days of the meeting, whereby all directors will stand for re-election. Under ordinary circumstances, directors have staggered terms, and a director would generally stand for re-election every three years. The spill resolution will be passed if 50% or more votes are cast in favour. In the event that the spill resolution passes, but no second strike is received, the spill resolution is disregarded.

When assessing a company's compensation report, ACSI is guided by the following key principles:

- CEOs and senior executives influence the strategy and direction of companies, and therefore executive pay should reflect company performance, especially long-term sustainable performance;
- Companies should seek to structure executive pay so that a significant portion is payable in equity which vests over time, based on the achievement of demanding performance targets;
- Companies should disclose all key aspects of the determination of remuneration policy, in particular the linkages between pay, shareholder returns and the delivery of company strategy;
- Pay structures should not award compensation for mediocre performance; and
- ACSI opposes termination payments to executives in excess of 12 months base salary. The law in Australia requires companies to seek shareholder approval for executive contracts that allow termination benefits over 12 months of salary.

## Board limits — the 'no vacancy' rule

In an interesting development during the 2011 proxy season a number of companies attempted to avoid new regulations on the 'no vacancy' rule. When an existing company board attempts to amend its constitution to reduce the maximum number of board members, the move is called a 'no vacancy' amendment. Under Australia's new legislation, boards must seek shareholder approval for these amendments. ACSI has opposed the use of the no vacancy rule because it reduces the ability for shareholders to nominate candidates and elect shareholder nominees.

## BLUESCOPE STEEL LIMITED[14]

| Company profile | |
|---|---|
| Sector | Industrial Metals & Mining |
| Number of employees | 10,000 – 18,000[15] |
| Net income in 2011 | ($1.040 billion) (AUD) *loss*[16] |
| Annual revenue in 2011 | $9.153 billion (AUD) |

| | |
|---|---|
| Proposal | Management proposal: Vote on the remuneration report (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | ACSI recommended that subscribers vote against the report because BlueScope paid just over $3 million in cash bonuses to senior executives despite the company recording a statutory loss of just over $1 billion in 2011. |
| Voting results | Report approved, but constitutes a 'first strike.' Against: 38.7%. |
| Explanation | The company received its 'first strike' on remuneration and so will be required to include a 'spill resolution' at its next AGM. If more than 25% of shareholders oppose the remuneration report again in 2012, and pass the spill resolution, the company will be required to hold a special meeting in which all directors would be up for re-election. |

## CROWN LIMITED[17]

| Company profile | |
|---|---|
| Sector | Travel & Leisure |
| Number of employees | 8,000 |
| Net income in 2011 | $336 million (AUD) |
| Annual revenue in 2011 | $2.409 billion (AUD) |

| | |
|---|---|
| Proposal | Management proposal: Vote on the remuneration report (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | Crown introduced a new long-term incentive scheme for five senior executives, allowing vesting subject to undisclosed earnings per share and profit targets. ACSI considers the disclosure of performance hurdles to be fundamental, as without disclosure shareholders cannot determine whether the hurdles are sufficiently demanding.<br><br>The key point of contention was that Crown's new incentive scheme would potentially deliver almost $29 million to five executives against undisclosed earnings targets over the period to 2014. |
| Voting results | Report was not approved. Against: 51.8%. |
| Explanation | The company received its 'first strike' on remuneration and so will be required to include a 'spill resolution' at its next AGM. If more than 25% of shareholders oppose the remuneration report again in 2012, and pass the spill resolution, the company will be required to hold a special meeting in which all directors would be up for re-election.<br><br>This outcome was affected by new rules prohibiting members of key management personnel from voting on remuneration related resolutions. In this case chair James Packer, with an interest in more than 40% of shares on issue, was prohibited from voting. |

## NEWS CORPORATION LIMITED[18]

| Company profile | |
|---|---|
| Sector | Media |
| Number of employees | 1,000 |
| Net income in 2011 | $2.739 billion (USD) |
| Annual revenue in 2011 | $33.405 billion (USD) |

| | |
|---|---|
| Proposal | Management proposal: Director elections |
| Partner recommendation | Oppose/withhold |
| Rationale | Although domiciled in the US, News Corporation retains a listing in Australia and was a major focus of ACSI and Australian superannuation funds in the 2011 proxy season.<br><br>ACSI recommended subscribers vote against six of the 15 directors seeking election. These recommendations were made chiefly due to News Corporation's board composition and the ongoing lack of demonstrated independent oversight of executive management most recently illustrated by events surrounding the UK phone hacking scandal. |
| Voting results | Directors were elected. Withhold/against votes:<br>• James Murdoch – 35%<br>• Lachlan Murdoch – 34%<br>• Natalie Bancroft – 33%<br>• Andrew Knight – 32%<br>• Arthur Siskind – 30%<br>• David Devoe – 22% |
| Explanation | At the time, ACSI commented that this vote was a message to the independent directors on the board to strengthen independent oversight. Otherwise, minority investors are simply wasting money on non-executive director's fees.<br><br>NewsCorp must now listen to its investors and reconstitute the board to comprise a majority of independent, non-executive directors sufficiently equipped to provide independent oversight of the company's strategy and activities. |

## ONESTEEL LIMITED[19]

| Company profile | |
|---|---|
| Sector | Industrial Metals & Mining |
| Number of employees | 11,000 |
| Net income in 2011 | $230 million (AUD) |
| Annual revenue in 2011 | $7.133 billion (AUD) |

| | |
|---|---|
| Proposal | Management proposal: Amend the company's constitution to reduce maximum board size |
| Partner recommendation | Oppose |
| Rationale | Under the proposed constitutional amendments, OneSteel was seeking to reduce its maximum board size from 10 to eight. The amendment would fix the maximum board size at the present number of OneSteel directors, reducing the ability of shareholders to elect non-board endorsed candidates.<br><br>ACSI does not consider there to be any benefit to shareholders from capping the maximum board size at the size of the present board. Such a reduction in board size would reduce the ability of shareholders to nominate and elect candidates should a shareholder or shareholders collectively consider it necessary in the future. |
| Voting results | Proposal did not pass. Against or abstain: 71.8%. |
| Explanation | Approval would have required 75% of votes in favour. |

## PACIFIC BRANDS LIMITED[20]

| Company profile | |
|---|---|
| Sector | Personal Goods |
| Number of employees | 5,000 |
| Net income in 2011 | ($131million) (AUD), *Loss* |
| Annual revenue in 2011 | $1.614 billion (AUD) |

| | |
|---|---|
| Proposal | Management proposal: Vote on the remuneration report (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | ACSI recommended that shareholders vote against the report because the company continues to grant high fixed remuneration to the CEO and other executives. For 2011 the company made large cash bonus awards despite reporting a large loss for the period. The cash pay outcomes for executives did not reflect recent company performance or recent outcomes for shareholders. |
| Voting results | Report was not approved. Against: 53%. |
| Explanation | The company received its 'first strike' on remuneration and so will be required to include a 'spill resolution' at its next AGM. If more than 25% of shareholders oppose the remuneration report again in 2012, and pass the spill resolution, the company will be required to hold a special meeting in which all directors would be up for re-election. |

## 5.2 CANADA

### CWC partner: Shareholder Association for Research and Education (SHARE)

SHARE is a Canadian leader in responsible investment services, research and education for institutional investors.

SHARE offers proxy voting, shareholder engagement and responsible investment consulting services, courses and conferences, policy advocacy and timely research that help investors integrate environmental, social and governance issues into their investment management process. SHARE's clients include pension funds, mutual funds, foundations, faith-based organizations and asset managers across Canada.

SHARE's leadership on responsible investment is both national and international. SHARE is a signatory to the United Nations Principles for Responsible Investment (UN PRI) and a Global Reporting Initiative (GRI) Organizational Stakeholder. SHARE also coordinates the Secretariat of the Global Unions Committee on Workers' Capital (CWC).

SHARE selected key votes at these Canadian companies:

- Bank of Nova Scotia
- Canadian Natural Resources Ltd.
- Cenovus Energy Inc.
- Enbridge Inc.
- Power Corporation of Canada

### Key votes overview

SHARE selected votes on risk disclosure on social issues, performance-based compensation, 'blank cheque' share capital issuances, allowing annual say-on-pay votes, and a director election. Three of the five key votes were shareholder proposals. Background on some of the vote issues is provided below.

Shareholders' proposal at Enbridge Inc.: Enbridge's proposed Northern Gateway pipeline project would carry bitumen and condensate between the Alberta oil sands and the port of Kitimat, on Canada's west coast. The pipeline is extremely controversial. Most of the controversy concerns the environmental damage that could result from leaks in the pipeline or spills from oil tankers in this part of the Canadian coastline. Much of the land that the pipeline would cross belongs to Canada's aboriginal communities. It includes rugged terrain, farms, pastures, forests and watersheds. Kitimat, the terminus of the pipeline, sits at the tip of a narrow inlet on the Inside Passage, which is notoriously difficult to navigate and has intense storms. The aboriginal communities around the proposed pipeline want assurances not only that their land will be protected, but also that they will receive a fair share of the jobs and income that Enbridge says the pipeline will create. Canada's system for recognizing aboriginal rights requires Enbridge to obtain the consent of aboriginal communities along its pipeline. Some aboriginal communities have agreed to the pipeline, but others insist that they will never allow it. Thus, it is possible that aboriginal communities could prevent the pipeline from being built.

Executive remuneration: Canadian companies have begun to allow shareholders to cast advisory votes on their remuneration plans only in the past two or three years. Unlike other countries where 'say-on-pay' votes have been mandated by law, Canadian companies have voluntarily adopted the practice of holding say-on-pay votes, primarily due to pressure from shareholders. SHARE has been a leader in this effort. In fact, in the case of the Cenovus say-on-pay vote included here, SHARE provided professional services to the shareholder about the proposal and during the shareholder's negotiations with the company.

Shareholders continue to press Canadian companies to improve their remuneration practices. In particular, shareholders are encouraging companies to do a better job of aligning executives' incentive pay – that is, the portion of their remuneration that is supposed to depend on the performance of the company – with how well those executives actually perform. Currently, some companies award their executives stock options as a form of performance-based remuneration without any additional performance requirements. These companies claim that, because stock options have value only if the share price rises, stock options are inherently performance-based. SHARE disagrees. Share prices can rise or fall because of events in wider markets. For example, the share price of oil or gold companies may increase because the price of those commodities rises, regardless of how well a particular company is doing. This makes share price a poor measure of executive performance.

Elections of directors: Shareholders of Canadian companies cannot vote against the directors or auditors; their only choices are to vote "for" or "withhold." Thus, votes to withhold for auditors or directors should be interpreted as votes against.

Share issuances: Canadian companies do not ask for authorization to issue shares as a routine matter. SHARE supports share issuances only if the size and terms of the issuance are subject to shareholders' consent. We vote against share issuance if the number of shares to be issued is not specified.

## BANK OF NOVA SCOTIA[21]

| Company profile | |
|---|---|
| Sector | Banks |
| Number of employees | 75,000 |
| Net income in 2011 | $5.268 billion (CAD) |
| Annual revenue in 2011 | $16.242 billion (CAD) |

| | |
|---|---|
| Proposal | Shareholder proposal: Base executives' stock options on their job performance |
| Partner recommendation | Support |
| Rationale | This proposal identifies one of the problems with stock options as a form of incentive remuneration. This bank awards its executives stock options that have no additional performance requirements, as a form of incentive pay. Stock options reward increases in share price, but a share's price can rise or fall for reasons that have nothing to do with the bank's performance and are beyond the control of its executives. Thus, share price alone is not a fair measure of executives' performance. Stock options may also give executives an incentive to take actions that increase the share price, but do not contribute to the company's profitability in the long term. Stock options awards must be based on a fair measure of performance in order to effectively reward executives for doing a good job. |
| Voting results | Proposal did not pass. For: 9.3%; against: 90.7%; abstain: 0.3%. |
| Explanation | Shareholders' proposals in Canada typically get less than 10% of the votes in favour. This vote is at the high end of what one usually expects for a shareholders' proposal. |

## CANADIAN NATURAL RESOURCES LTD.[22]

| Company profile | |
|---|---|
| Sector | Oil & Gas Producers |
| Number of employees | 5,276 |
| Net income in 2011 | $2.643 billion (CAD) |
| Annual revenue in 2011 | $13.792 billion (CAD) |

| | |
|---|---|
| Proposal | Management proposal: Amend the articles to change the preferred shares to Series A preferred shares ('blank cheque' share issuance) |
| Partner recommendation | Oppose |
| Rationale | This proposal would allow the company to issue additional preferred shares and to set the size and terms of the issuance without further approval from shareholders. These unlimited 'blank cheque' share issuances give the company too much discretion over the company's share capital, which can have an adverse effect on shareholders. Share issuances of this type can also be used as takeover defences, which is not in the best interests of shareholders. |
| Voting results | Proposal passed. Against: 20.5%; for: 79.5%. |
| Explanation | Votes against management proposals of more than 10% are quite unusual and indicate strong shareholder opposition to the proposal. Proposals to allow a company to have 'blank cheque' authority to issue shares are rare in Canada. |

## CENOVUS ENERGY INC.[23]

| Company profile | |
|---|---|
| Sector | Oil & Gas Producers |
| Number of employees | 4,100 |
| Net income in 2011 | $1.478 billion (CAD) |
| Annual revenue in 2011 | $15.696 billion (CAD) |

| | |
|---|---|
| Proposal | Shareholder proposal: Allow annual say-on-pay votes |
| Partner recommendation | Support |
| Rationale | Cenovus allowed shareholders to cast a say-on-pay vote on its executive remuneration plans, but only once every three years. This proposal asked the company to make the vote annual. An annual vote on remuneration is central to proper shareholder oversight. The board makes decisions about executive compensation and adjusts executives' pay every year. Thus, an annual vote gives the board more frequent and timely feedback on shareholders' views of executive pay. |
| Voting results | The proposal was withdrawn before the shareholders' meeting because Cenovus agreed to hold a say-on-pay vote every year. |
| Explanation | This vote is an excellent example of how shareholders proposals can spur corporate action on key ESG issues. Cenovus agreed to adopt the annual say-on-pay vote as a result of its negotiations with the shareholder who filed the proposal. The desired outcome was achieved without a shareholder vote. |

## ENBRIDGE INC.

| Company profile | |
|---|---|
| Sector | Oil Equipment, Services & Distribution |
| Number of employees | 6,900[24] |
| Net income in 2011 | $991 million (CAD) |
| Annual revenue in 2011 | $19.402 billion (CAD)[25] |

| | |
|---|---|
| Proposal | Shareholder proposal: Disclose risks surrounding the Northern Gateway pipeline |
| Partner recommendation | Support |
| Rationale | This shareholders' proposal asked Enbridge to report on the risks associated with aboriginal opposition to the Northern Gateway pipeline. This opposition is growing, and poses a very real challenge to the pipeline as it is currently planned. An oil spill from this pipeline or tanker ships at the terminus would destroy ecosystems, water supplies, and the livelihoods of people living in the area, many of whom are aboriginal. Enbridge must work with and obtain the consent of aboriginal communities in order for the Northern Gateway pipeline to be viable; regulatory approval is not enough. The company's disclosure about its work to date has not addressed this issue adequately. |
| Voting results | Proposal did not pass. For: 28.6%; against: 60.7%; abstain: 10.6%. |
| Explanation | Although this is less than a majority of the votes, it is a very good result none the less. Shareholders' proposals in Canada typically receive less than 10% of the votes in favour. |

## POWER CORPORATION OF CANADA[26]

| Company profile | |
|---|---|
| Sector | Financial Services |
| Number of employees | 30,700 |
| Net income in 2011 | $2.945 billion (CAD) |
| Annual revenue in 2011 | $32.912 billion (CAD) |

| | |
|---|---|
| Proposal | Management proposal: Elect Paul Desmarais Sr. as a director |
| Partner recommendation | Oppose/withhold |
| Rationale | In 2011, Mr. Desmarais attended only three of the 13 meetings of the board and committees on which he serves. Although attendance at board meetings is not the sole determinant of a director's performance, poor attendance makes it difficult for a director to fulfil his or her responsibilities to the board. SHARE votes against directors if they attend fewer than 75% of a board's meetings in the past year unless they had a good reason for the absences, such as an illness. |
| Voting results | Director was elected. For: 79.4%; against/withhold: 20.6%. |
| Explanation | Normally, directors receive 95% to 100% of the votes in favour of their re-election, so this is a remarkably high number of votes to withhold. In this case the vote result is even more noteworthy because Mr. Desmarais is the controlling shareholder of Power Corporation. He was the company's Chief Executive Officer and chair for many years and is the father of the current co-CEOs. |

## 5.3 THE NETHERLANDS

### CWC partner: Eumedion

Eumedion represents institutional investors' interests in the field of corporate governance and related sustainability performance. It is the objective of Eumedion to maintain and further develop good corporate governance and sustainability performance of Dutch listed companies. Eumedion currently has 70 Dutch and non-Dutch institutional investors as members. Around 50% of the members are pension funds.

As part of its services, Eumedion sends alerts to all its members based on the recommendations of the Eumedion Investment Committee. The committee, in which a large number of Eumedion members are represented, recommends sending an alert when a proposal on the AGM agenda at a Dutch listed company is (flagrantly) contrary to the provisions of i) Dutch legislation and regulations, ii) the Dutch corporate governance code, and/or iii) the Eumedion Corporate Governance Manual. The alert does not advise members on how to vote, but provides information to consider when deciding their voting behaviour.

Eumedion selected key votes at these Dutch companies:

- KPN N.V.
- Mediq
- TNT Express
- UNIT4
- Wereldhave

## Key votes overview

Eumedion chose five key votes for which it sent out corporate governance alerts in 2012, on proposals to amend the remuneration policy for the executive board (say-on-pay), board governance and shareholder rights.

According to Dutch law, amendments to remuneration policy need the approval of the company's shareholders. The vote is therefore binding. The critical view of shareholders has especially this year been broadened from the structure of the remuneration policy to also the results of the remuneration policy in terms of total executive remuneration levels.

Proposals on shareholder rights are a reflection of a political debate in the Netherlands that the movement to strengthen the position of shareholders in 2004 has gone too far and resulted in the takeover of a number of large and middle-sized Dutch companies (the number of listed companies decreased from 169 in 2000 to 106 in 2012). Legal reforms in 2004 gave shareholders increased rights, including the right to approve major transactions that will have a material impact on the nature of the company, the right for shareholders with a holding of at least 1% of share capital or shares with a market value of at least €50 million to submit items for the agenda of the general meeting, and the right within companies operating under the Netherlands' 'large company regime' to dismiss the supervisory board as a whole.

The large company regime is part of the two-tier board structure of Dutch listed companies. Companies typically have a supervisory board and a management board. In the majority of Dutch listed companies, the supervisory board nominates and the shareholders elect both the supervisory board and the management board members. However, large listed companies with more than €16 million in capital and more than 100 employees of whom the majority are located in the Netherlands are legally required to follow the large company regime. Within this regime the shareholders elect the supervisory board, while the supervisory board appoints the management board. At these large companies, a works council (representing company employees) has an "enhanced right of recommendation" — it nominates candidates for one third of the supervisory board's positions, who are then confirmed by a vote at the shareholders meeting. Companies that are not legally required to follow the large company regime may adopt this regime voluntarily. Companies may also opt for the 'mitigated regime.' This regime has similar requirements for involving works councils, but the shareholders meeting may also appoint and dismiss the members of the management board.

## KPN N.V.[27]

| Company profile | |
|---|---|
| Sector | Fixed Line Telecommunications |
| Number of employees | 30,491 |
| Net income in 2011 | €1.5 billion |
| Annual revenue in 2011 | €13 billion |

| | |
|---|---|
| Proposal | Management proposal: Amend the articles of association on shareholder right to place items on the AGM agenda |
| Partner recommendation | Consider major corporate governance issues when voting |
| Rationale | The original text of KPN's Articles of Association stipulated that shareholders who, solely or jointly, own 1% of the issued share capital or shares with an aggregated market value of at least €50 million, have the right to place items on the agenda of a general meeting. KPN proposed to amend this article by abandoning the €50 million threshold. The consequence of this amendment would be that it will be made more difficult for shareholders to table shareholder resolutions: at current share prices (22 August 2012) a shareholder needs to invest more than €96 million in KPN shares to reach the 1% threshold; this is far above the lower threshold of €50 million.<br>The amendment would limit the ability of minority shareholders to table resolutions for the agenda of any future KPN AGM because of a higher threshold. |
| Voting results | Proposal passed. Against: 3.6%; abstain: 2.2%. |
| Explanation | The proposal was passed only as a result of KPN's statement, published on its website 20 days before the AGM and after shareholder engagement, that "in order to avoid a possible deterioration of shareholder rights, KPN will use the next ordinary (2013) or extraordinary shareholders' meeting to table a proposal to safeguard the right of shareholders with a shareholding value of at least €50 million to put items on the agenda." |

## MEDIQ N.V.

| Company profile | |
|---|---|
| Sector | Oil Equipment, Services & Distribution |
| Number of employees | 8,291 |
| Net income in 2011 | €22.8 million |
| Annual revenue in 2011 | €2.8 billion |

| | |
|---|---|
| Proposal | Management proposal: Choice of rules applicable to the statutory two-tier regime (board governance) |
| Partner recommendation | Consider major corporate governance issues when voting |
| Rationale | The board proposed a voluntarily continuation of the 'large company regime,' a governance system in which the supervisory board appoints the members of the management board. Within such a system shareholders have no direct influence on the composition of the management board. |
| Voting results | Proposal did not pass. Against: 40.4%; abstain: 41.3%. |
| Explanation | Shareholders opted for a governance system (the 'mitigated regime') in which they appoint the members of the management board and the members of the supervisory board, and in which the works council retains its enhanced right of recommendation for one third of the members of the supervisory board. |

## TNT EXPRESS N.V.

| Company profile | |
|---|---|
| Sector | Industrial Transportation |
| Number of employees | 77,478 |
| Net income in 2011 | (€270 million) *loss* |
| Annual revenue in 2011 | €7.2 billion |

| | |
|---|---|
| Proposal | Management proposal: Amend the remuneration policy for executive board members (say-on-pay) |
| Partner recommendation | Consider major corporate governance issues when voting |
| Rationale | There were doubts whether this was the right time for proposing an amended remuneration policy, as on March 19, 2012, TNT Express and UPS reached agreement on an all cash-offer of €9.50 per ordinary share for TNT Express. Moreover, the new remuneration policy would lead to an 'at target' increase of the total remuneration package of executive board members of 27.5%, with a maximum of 40%, compared with the existing remuneration policy. Such increases seem rather high, especially given the current economic circumstances and TNT Express' uncertain future. Besides this, the supervisory board would have full discretionary power regarding the accelerated vesting of not yet vested matching and performance shares in a change-of-control situation, like the successful bid of UPS for TNT Express shares. Shareholders do not like to give the supervisory board carte blanche, especially not in take-over situations. |
| Voting results | Proposal passed. Against: 6%; abstain: 0.1%. |
| Explanation | The proposal was only passed as a result of TNT Express' statement, published on its website nine days before the AGM and after shareholder engagement that "the Supervisory Board has decided that the 2012 grant of rights on performance shares under the Executive Board's Long Term Incentive plan will be suspended in view of the intended offer." |

## UNIT4 N.V.

| Company profile | |
|---|---|
| Sector | Software & Computer Services |
| Number of employees | 4,200 |
| Net income in 2011 | €26.5 million |
| Annual revenue in 2011 | €455 million |

| | |
|---|---|
| Proposal | Management proposal: Discharge of the supervisory board for their supervision |
| Partner recommendation | Consider major corporate governance issues when voting |
| Rationale | During 2011, members of the management board were not only granted (50,000) stock options in UNIT4 NV, but also (251,875) stock options in FinancialForce.com, an 83.33% US subsidiary of UNIT4. The members of the management board of UNIT4 are also non-executive directors of FinancialForce.com. In the Netherlands it is uncommon to grant members of the management board of a parent company stock options in a subsidiary, as Dutch law provides that members of the management board have to act in the interest of the company and all its enterprises. Granting options on shares in one specific subsidiary will incentivise members of the management board to expressly place the interest of that specific subsidiary above the interests of other subsidiaries and the parent company. Paying more attention to a subsidiary that represents only 1% of UNIT4's turnover than to other more value-generating subsidiaries is probably not in the best interests of the shareholders of the parent company. The supervisory board did not explain in its report the reasons to grant options on shares in a specific subsidiary to UNIT 4's members of the management board. |
| Voting results | Proposal passed. Against: 6.1%; abstain: 8.2%. |
| Explanation | The chair of the supervisory board assured the AGM that the management board is not more favourable to the interests of the subsidiary FinancialForce.com in comparison with the interests of other subsidiaries. He acknowledged that UNIT4 should have communicated earlier and better on the issue of granting options on shares in one specific company. The granting has now ended. |

## WERELDHAVE N.V.

| Company profile | |
|---|---|
| Sector | Real Estate Investment Trusts |
| Number of employees | 213 |
| Net income in 2011 | €63 million |
| Annual revenue in 2011 | €239 million |

| | |
|---|---|
| Proposal | Management proposal: Amend the remuneration policy for executive board members (say-on-pay) |
| Partner recommendation | Consider major corporate governance issues when voting |
| Rationale | The company proposed to change the indicators for variable compensation of the executive board. However, the company proposed to keep 'growth of the direct result per share compared to the previous year' as an indicator. Shareholders are critical of this indicator as this performance target can be achieved by an increase in leverage. Moreover, it can incentivize executives to manipulate profit figures. |
| Voting results | Proposal was withdrawn. |
| Explanation | The proposal was withdrawn "in view of reactions of several shareholders" (according to a statement on the company's website) before the AGM. |

## 5.4 SOUTH AFRICA

### CWC partners: Community Growth Fund (CGF) and the Labour Research Service (LRS)

The CGF is a range of socially responsible investment solutions offered by Community Growth Management Company (Comanco), a jointly owned company between Unity Incorporation (representing a group of six trade unions) and Old Mutual Investment Group SA (OMIGSA). Unity Incorporation manages social research and the screening process, while the underlying portfolio is managed by OMIGSA portfolio managers. CGF's socially responsible investment (SRI) track record goes back to 1992. Its mission is to provide long-term sustainable SRI solutions while making a difference and be the first-choice total SRI Investments solutions provider. The core areas of work are targeted investments (infrastructure such as roads, dams, schools, bridges, hospitals, sewerage, water and electrification, agriculture with regards to poor black farmers, low-income housing and small, medium-sized and micro enterprise financing), screening and shareholder activism.

The LRS was established in 1986 as a non-profit labour service organisation. The LRS specialises in research, dialogue-building, and developmental projects with the broad aim of strengthening civil society and a particular focus on the world of work. LRS's mission is to promote and enhance the full and active participation of working women and men in political and socio-economic activities in South Africa. The LRS does this through developing organisational and leadership capacity of trade unions and labour-focused social organisations to enable collective bargaining on incomes and social livelihood issues. The LRS has also started to do research and be involved in projects with regards to trade union shareholder activism.

CGF and LRS selected key votes at these South African companies:

- Anglo American Plc.
- Nampak Ltd.
- Steinhoff International Holdings Ltd.

### Key votes overview

For South Africa, CGF selected key votes against management at companies in its portfolio, and LRS helped to gather and compile data about each vote. The votes selected all pertain to the issuing of shares. The first two votes are about giving the directors more power to allot, acquire or purchase shares. With regards to corporate governance and shareholder influence it is important to not simply accept these kinds of proposals without looking at the reasons behind them. These types of actions might mean a profit or gain, but that is especially true in the short-term. Both CGF and the companies in question consider long-term consequences and believe they are important, but they make different assessments of the long-term consequences.

In general, key proxy votes against management in South Africa do not appear as common as they might be in other countries. Recent developments in corporate governance regulations and policy debates show that interest in these issues is growing, but actual votes and actions do not seem match the interest at the moment. Investment managers and funds exist with a focus on SRI, but active ownership by union pension funds and other institutional investors is only slowly taking hold.

## ANGLO AMERICAN PLC.[28]

| Company profile | |
|---|---|
| Sector | Mining |
| Number of employees | 100,000[29] |
| Net income in 2011 | $7.9 billion (USD) |
| Annual revenue in 2011 | $30.6 billion (USD) |

| | |
|---|---|
| Proposal | Management proposal: Authorise the directors to allot shares |
| Partner recommendation | Oppose |
| Rationale | The proposal would have given directors control over more than 5% of the company's shares. According to its proxy voting guidelines, OMIGSA will vote against share allotments above 5% in order to protect its clients' interests while still allowing the company sufficient flexibility in executing its strategy with respect to its share capital. |
| Voting results | Proposal passed. Against: 23%. |
| Explanation | It is noteworthy, however, that during the AGM, this proposal received the highest number of votes against out of all the proposals on the AGM ballot. Clearly CGF was not the only shareholder voting against the proposal. |

## NAMPAK LTD.

| Company profile | |
|---|---|
| Sector | General Industrials |
| Number of employees | 12,543 |
| Net income in 2011 | $76.4 million (USD) |
| Annual revenue in 2011 | $1.9 billion (USD) |

| | |
|---|---|
| Proposal | Management proposal: Authorise the directors of the company to acquire or purchase shares issued by the company on the Johannesburg Stock Exchange |
| Partner recommendation | Oppose |
| Rationale | The proposal capped the share repurchase at a maximum of 20% of company shares at the time of the AGM. While it is OMIGSA's policy to vote in favour of share repurchase programmes in general, it feels that the 20% maximum over a 12-month period is excessive, and will affect the company's free float. It also does not feel prudent to initiate such an aggressive buyback policy at or around the share's all time high price of R24.10/share. |
| Voting results | Proposal passed. |
| Explanation | The company did not disclose how many votes were cast for and against this proposal. |

## STEINHOFF INTERNATIONAL HOLDINGS LTD.

| Company profile | |
|---|---|
| Sector | Household Goods & Home Construction |
| Number of employees | 48,840 |
| Net income in 2011 | $626 million (USD) |
| Annual revenue in 2011 | $5.2 billion (USD) |

| | |
|---|---|
| Proposal | Management proposal: Acquire a 50.1% stake in JD Group by swapping shares |
| Partner recommendation | Oppose |
| Rationale | Subject to the approval of Steinhoff and JD Group shareholders, Steinhoff proposed a share swap in order to increase its stake in JD Group from 32.7% to 50.1%. Steinhoff offered 16 shares of its manufacturing unit, KAP Holdings, in exchange for each JD Group share. After the transactions, Steinhoff would reduce its stake in KAP Holdings from 88% to 62%.<br><br>It was not beneficial to Steinhoff shareholders to swap several KAP shares (a cheap asset) for one JD Group share (an expensive asset). |
| Voting results | The proposal passed. For: 82%. |
| Explanation | The company did not disclose data on total votes cast, total votes against the proposal or abstentions. |

# 5.5 SPAIN

**CWC partner: Confederación Sindical de Comisiones Obreras (CS CCOO)**

| CCOO is the largest trade union in Spain. It is a democratic, working class organization joined voluntarily in solidarity to defend the collective interest of workers, pensioners, the unemployed, immigrants, and youth. | CCOO selected key votes at these Spanish companies:<br>• Bankia<br>• BBVA<br>• Banco Santander<br>• Ferrovial<br>• Inditex |
|---|---|

## Key votes overview

This year CCOO chose vote topics related to the highest remunerations of the IBEX 35, the independence of directors on the board, and the re-election of an auditor.

In the case of independent directors, CCOO takes into account the recommendations 13 (presence of at least 33% of independent directors on the executive committee), 29 (maximum 12-year tenure for independent directors), and the definition of independent director in the Spanish Code of Corporate Governance.

In one of the two cases analysed, the independent director proposed for re-election has spent practically all his working life linked to the company. The Unified Code on Corporate Governance (2006) mentions that former employees or former executive directors of a company can't be independent directors until at least three or five years, respectively, of the cessation of that relationship. The second item deals with a proposal to eliminate Code recommendation 29 from the company's bylaws.

In the case of the advisory vote on the Annual Report on Directors' Remuneration, CCOO chose the highest total remuneration received by a board of directors and the highest compensation paid to an executive director of the IBEX 35, which are clearly excessive.

Say-on-pay is an advisory shareholder vote currently mandated for public companies in Spain. The provisions of this shareholder right are outlined in the Unified Code on Corporate Governance, and are broadly in line with the European Commission's recommendations on fostering an appropriate regime for the remuneration of directors of listed companies. As with countries like the U.S, U.K, Australia and Canada, Spanish say-on-pay votes are non-binding on directors, in contrast to the policies adopted in the Netherlands and Sweden.

The other item selected is the re-election of an audit firm, which did not properly assess the existing risks in its report for a public offering of shares at Bankia in 2011. Bankia has experienced a series of serious financial troubles since 2010.

## BANKIA, S.A.[30]

| Company profile | |
|---|---|
| Sector | Banks |
| Number of employees | 9,500 |
| Net income in 2011 | (€3.030 billion) *loss* |
| Annual revenue in 2011 | €3.786 billion |

| | |
|---|---|
| Proposal | Management proposal: Re-election of the firm to audit the accounts of Bankia, S.A. and its consolidated group in 2012 |
| Partner recommendation | Oppose |
| Rationale | The audit firm in question, Deloitte, was also the audit firm of Bancaja and Caja Madrid during the years 2007 to 2010 and had issued reports in all these years with no objections. Caja Madrid (52.06%) and Bancaja (37.7%) are the major shareholders of Banco Financiero y de Ahorros, S.A., which is the majority shareholder in Bankia, S.A. with 52.40% of the shares.<br><br>The firm issued a favourable report of Bankia's accounts on March 31, 2011, which formed the basis for the approval of a public offering of shares.<br><br>The reports of the audit did not find irregularities during the first half of 2011 and Bankia went public in July 2011. The first qualified opinion to the accounts came in the month of October. In 2012, the audit firm refused to sign the accounts of 2011, which precipitated the resignation of the management team. This failure to adequately warn investors of existing risks justifies changing the audit firm for the benefit of shareholders, especially minority shareholders. |
| Voting results | Proposal passed. Against: 1.4%; for: 94%; abstain: 4.5%. |
| Explanation | Vote results are calculated based on the total valid votes and abstentions, but it should be noted that these represented 56.9% of Bankia's share capital at the date of the AGM. |

## BBVA[31]

| Company profile | |
|---|---|
| Sector | Banks |
| Number of employees | 104,000 |
| Net income in 2011 | €3.485 billion |
| Annual revenue in 2011 | €20.566 billion |

| | |
|---|---|
| Proposal | Management proposal: Re-elect to the board of directors José Antonio Fernández Rivero (independent director) |
| Partner recommendation | Oppose |
| Rationale | In CCOO's opinion, because of his long history working for BBVA and its predecessors, the profile of this director is clearly not independent. Jose Antonio Fernandez Rivero's relationship with BBVA includes:<br>• 1976 – Arthur Andersen (Systems)<br>• 1977 – Joined Banco de Vizcaya, Director of Administration and Control of the International Division<br>• 1986 – Chair of the Steering Committee of the Banque de Gestion Financière SA (Belgium)<br>• 1988-1989 – General Deputy Director for Planning and Control of Commercial Banking, and later Regional Director of Retail Banking at BBV; in 1990 he joined Banco Exterior de España as General Comptroller, occupying the same position in Spain Banking Corporation (Argentaria) from 1991 to 1995, when he was appointed Director General and Internal Control Statement of the entity; in 1997 he took over the duties of Director General of Organization, Systems, Operations, Human Resources, Purchasing and Real Estate; in 1999, after the merger Argentaria-BBV, he was appointed General Manager of BBVA Systems and Operations; he was appointed Group General Manager in 2001, taking on different areas; Director on behalf of BBVA in the Boards of Directors of Telefonica, Iberdrola, Banco de Credito Local, and President of Adquira; and, he was appointed to the Board of BBVA on February 28, 2004 and is Chair of the Risk Committee. |
| Voting results | Director elected. Against: 0.6%; for: 99.4%. |
| Explanation | The total number of votes cast represented 64.5% of company shares. |

## BANCO SANTANDER, S.A.[32]

| Company profile | |
|---|---|
| Sector | Banks |
| Number of employees | 193,000 |
| Net income in 2011 | €5.351 billion |
| Annual revenue in 2011 | €44.262 billion |

| | |
|---|---|
| Proposal | Management proposal: Annual report on director remuneration policy (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | The total remuneration received by the board of directors of Banco Santander is the highest of the IBEX 35 index. The aggregated remuneration of the board amounts €44.8 million. The remuneration policy of the board of Banco Santander is clearly excessive.<br><br>The breakdown of the individualized remuneration of the six executive directors on the board is as follows: Emilio Botín (€4.9 million); Alfredo Sáenz (€12.6 million); Matías Rodriguez (€6.5 million); Ana Patricia Botín (€5.5 million); Francisco Luzón (€7.2 million); Juan Rodriguez (€3.7 million).<br><br>Pension schemes:<br><br>Emilio Botín (€25.4 million); Alfredo Sáenz (€87.7 million); Matías Rodriguez (€45.2 million); Ana Patricia Botín (€31.8 million); Francisco Luzón (€63.6 million); Juan Rodriguez (€12 million). The total amount (€266 million) is more than three times the capital accumulated by the employee pension fund (23,660 members). |
| Voting results | Proposal passed. Against: 8.1%; for: 88.4%; abstain: 3.5%. |
| Explanation | More and more investors are becoming aware of the disproportionate remuneration of the board of Banco Santander: votes against the remuneration package rose from 2.4% in 2011 to 8.1% in 2012.<br><br>It should be noted that results are expressed as percentages of the total valid votes and abstentions. These votes represented only 52.96% of Banco Santander´s share capital at the date of the AGM. |

## FERROVIAL[33]

| Company profile | |
|---|---|
| Sector | Construction & Materials |
| Number of employees | 70,000 |
| Net income in 2011 | €615 million |
| Annual revenue in 2011 | €7.461 billion |

| | |
|---|---|
| Proposal | Management proposal: Amend the bylaws to eliminate the term limit for independent directors |
| Partner recommendation | Oppose |
| Rationale | The proposal stated: "*Based on recommendation 29 of the Spanish Corporate Governance Code, it was, at the time, considered appropriate to incorporate into the Bylaws this term limit to define the independent status of a director. The experience of recent years and the personal and professional circumstances of the Directors of the Company that have been or could be affected by this limit reveals that the passage of time in the exercise of his or her duties not necessarily decrease independence, on the contrary, due to the greater experience and knowledge of the Company, it can contribute to the performance of its functions.*"<br><br>CCOO believes this proposal clearly goes against the recommendations of the corporate governance code and adapts the bylaws to the personal and professional circumstances of the directors. This is completely unacceptable. |
| Voting results | Proposal passed. Against: 10.1%; for: 89%; abstain: 0.9%. |
| Explanation | Vote results are calculated based on the total attendance quorum. |

## INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.)[34]

| Company profile | |
|---|---|
| Sector | General Retailers |
| Number of employees | 92,000 |
| Net income in 2011 | €1.946 billion |
| Annual revenue in 2011 | €13.793 billion |

| | |
|---|---|
| Proposal | Management proposal: Advisory vote on the annual report on directors' compensation (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | The remuneration of the CEO and chair of Inditex was the highest in the IBEX 35 in the year 2011, far outpacing the already too high salaries of other chief executives at companies such as Banco Santander, Telefónica, Repsol and Iberdrola.<br><br>The breakdown of the remuneration is as follows:<br><br>Remuneration for being member of the board of directors, executive committee and vice-presidency €127,000<br>+ Fixed remuneration €2,454,000<br>+ Variable remuneration €1,725,000<br>+ Contribution to pension plan €1,500,000<br>+ Long-term incentive scheme (accrued in 2011 and to receive in 2012) €2,000,000<br>+ Special pay for appointment as president and CEO (€221,264 shares x 62.07) €13,734,000<br>= Total €21.500,000<br><br>The remuneration of the CEO of Inditex is clearly excessive and includes too many forms of compensation, some of which overlap. |
| Voting results | Proposal passed. Against: 15.2%; for: 84.4%; abstain: 0.4%. |
| Explanation | 59.4% of voting rights are held by the board of directors. |

# 5.6 SWITZERLAND

## CWC partner: Ethos Foundation

Ethos, Swiss Foundation for Sustainable Development, was created in February 1997 by two Geneva-based pension funds and is currently composed of nearly 140 institutional investors. Its purpose is to promote the consideration of sustainable development principles and corporate governance best practice in investment activities and a stable and prosperous socio-economic environment that serves the society as a whole and that preserves the interests of future generations.

The Foundation owns the company Ethos Services, which conducts all investment and consulting activities. Ethos Services is specialised in the field of socially responsible investment (SRI). Ethos Services advises investment funds and discretionary asset management mandates according to an SRI approach for an equivalent of CHF 1.5 billion.

To allow private persons to benefit from and take part in the activities of Ethos, the Foundation launched the non-profit association Ethos Académie in June 2012. This organisation conducts outreach activities in the field of socially responsible investment, including organising conferences and debates, funding of studies and supporting the exercise of shareholders' voting rights.

The Ethos Foundation is signatory of the Principles for Responsible Investment of the United Nations (UNPRI) and the Charter of the Swiss Association of Pension Funds (ASIP). Ethos also adheres to the UK Stewardship Code. In 2009, Ethos received the award of the International Corporate Governance Network (ICGN).

Ethos selected key votes at these Swiss companies:

- Inficon
- Transocean
- UBS
- Weatherford International

### Key votes overview

Ethos Foundation selected votes on board discharge, executive remuneration, a director election, and share capital issuances. There are several elements of the policy context for Swiss corporate governance that are important to understand when reading about these key votes.

Say-on-pay: In Switzerland, as opposed to most European countries, the US, and Australia, shareholders have no legal right to vote on the pay packages of directors and executive management. They can register their concerns on director election or discharge proposals, which are indirect forms of disapproval. Ethos has been advocating for a UK-style advisory say-on-pay vote for many years. This led to the addition of an Appendix 1 to the Swiss Code of Best Practice for Corporate Governance in 2007, which urges listed companies to choose between the following two possibilities:

- Have the board comment the remuneration report under the items "approval of accounts" or discharge; or
- Submit the remuneration report to an advisory vote of the shareholders.

Despite intensive engagement by Ethos, five years after the introduction of this appendix less than 50% of the 100 largest Swiss listed companies proactively chose the second option (say-on-pay).

It should be noted that a review of Swiss company law has been underway for several years. Following pressure, both by the institutional investors represented by Ethos and by the Swiss public, more rights will be given to shareholders in the near future. Swiss citizens will be called to decide whether they approve a popular initiative or the government's counter project. In both cases, shareholder rights will be enhanced, in particular with regard to remuneration. One should not, however, expect the new regime to be effective before 2014.

Discharge: This is one of a shareholder's inalienable rights and is conventionally included as an agenda item at AGMs unless, for exceptional reasons, the board refrains from asking to be discharged. It constitutes a formal assurance that no legal proceedings shall be instituted against the discharged body for its conduct of business during the period under review. Discharge is valid only for facts revealed at the moment it is granted and exempts the discharged members of the board from prosecution by the company for gross negligence. Any shareholders who withhold the discharge retain their right to file lawsuits against the directors for damages incurred within a six-month period. Shareholders who grant the discharge lose that right. Ethos, however, considers that serious failures in respect of governance, social or environmental matters also justify opposing the discharge.

Share capital: Under Swiss law, in addition to their issued capital, companies can create pools of authorized[35] and/or conditional[36] capital. The amount requested cannot exceed the legal maximum of 50% of issued capital for each. This means that the total potential capital increase without pre-emptive rights is capped by law to 100% of the issued share capital. However, given that capital increases without pre-emptive rights entail dilution of shareholders' rights, Ethos, like many institutional shareholders, believes that a conditional or authorized share capital of 50% each is excessive. According to Ethos, all authorizations without pre-emptive rights should be limited in aggregate to one third of the share capital. Authorized capital is essentially a blank cheque given to the board of directors, so according to Ethos, no more than 20% should be approved in a single request. Many non-Swiss institutional investors are more conservative than Ethos and refuse capital increase requests exceeding 10% of issued capital when no intended use of the shares is presented and pre-emptive rights can be waived.

It is important to note that two of the companies featured, Weatherford and Transocean, are both US companies that have reincorporated in Switzerland in recent years. Weatherford was listed on the SIX Swiss Exchange in 2010, but remains listed on the NYSE as well. Transocean also remains listed on the NYSE, but moved its headquarters to Switzerland, and listed on the SIX in 2010, becoming part of the SMI index of Switzerland's 20 largest listed companies. Neither company has operational activities in Switzerland as is the case for some other companies in the oil and gas or extractive sectors. It was one of Transocean's rigs that exploded in April 2010, causing the Gulf of Mexico oil spill disaster.

## INFICON

| Company profile | |
|---|---|
| Sector | Industrial Engineering |
| Number of employees | 909 |
| Net income in 2011 | $44 million (USD) |
| Annual revenue in 2011 | $312 million (USD) |

| | |
|---|---|
| Proposal | Management proposal: Increase pool of conditional capital for the employees ("blank cheque" share issuance) |
| Partner recommendation | Oppose |
| Rationale | In Switzerland, where say-on-pay is not mandatory and companies are not required to request shareholder approval for share based plans, shareholders cannot give their opinion on board or executive remuneration or share based plans. However, when the company wants to fund the plans with a capital increase instead of repurchased shares, it is the capital increase that has to be approved by two thirds of the votes cast. This, of course, does not mean that companies are required to disclose the main features of the plans they want to operate and most often they do not.<br><br>The proposal would bring the total conditional capital to 11.85% of the currently issued share capital (up from 7.46%). Based on past years' option grants, an annual 1.45% of the share capital has been granted on average to employees, corresponding to approximately 14.5% of the current share capital in a 10-year rolling basis. Ethos applies an annual grant limit of 1% of the share capital for all the plans of a company. Moreover, it should be noted that the company's existing conditional capital covers all outstanding options (that have not all vested yet). Ethos highlights that the vesting of the options is not based on achievement of performance conditions, and that board members also receive options, which is not best practice as it can align their interests with those of management and impair their objectivity when exercising their supervision duties. For all these reasons, Ethos issued a negative voting recommendation. |
| Voting results | Proposal passed. For: 81%. |
| Explanation | Since share capital increase proposals must pass with at least two thirds affirmative votes, 81% is a particularly low result. This bad score is due to the fact that investors are not ready to accept the grant of options untied to performance in amounts that largely exceed best practice recommendations. |

## TRANSOCEAN

| Company profile | |
|---|---|
| Sector | Oil Equipment, Services & Distribution |
| Number of employees | 18,700 |
| Net income in 2011 | ($5.8 billion) (USD) *loss* |
| Annual revenue in 2011 | $9.1 billion (USD) |

| | |
|---|---|
| Proposal | Management proposal: Elect Chad Deaton as director |
| Partner recommendation | Oppose |
| Rationale | The board proposed to re-elect Chad Deaton, currently executive chair of Baker Hughes where he was chair and CEO until January 2012. Mr. Deaton is also a board member of the listed company Air Products & Chemicals and of Ariel Corporation, a privately owned company. Ethos has concerns over Mr. Deaton's aggregate time commitments in addition to the proposed new nomination at Transocean.<br><br>According to Ethos, time commitments are a very important element that shareholders should consider before appointing or re-appointing a director. |
| Voting results | Director elected. Against: 3%; for: 97%. |
| Explanation | The results of this vote show that the important questions related to availability of directors are not sufficiently taken into consideration by the shareholders and are treated as "routine" items. |

## UBS[37]

| Company profile | |
|---|---|
| Sector | Banks |
| Number of employees | 64,820 |
| Net income in 2011 | 4.2 billion (CHF) |
| Annual revenue in 2011 | 27.8 billion (CHF) |

| | |
|---|---|
| Proposal | Management proposal: Discharge board and executive management for their management of the company in 2011 |
| Partner recommendation | Oppose |
| Rationale | The auditor expressed an adverse opinion on the bank's internal controls over financial reporting following the discovery in September 2011 of unauthorised trading activities in the UBS Investment Bank in London, with a negative impact on the group pre-tax profit of US$2.3 billion. While this led to the immediate resignation of UBS' CEO, UBS executive management concluded that the remediation of the material weaknesses in UBS' internal control over financial reporting arising from the control deficiencies was not yet completed on December 31, 2011. Ethos and many other shareholders therefore questioned the request for discharge as they considered it not appropriate to discharge the board before the completion of the remediation of the internal control weaknesses. |
| Voting results | Proposal passed narrowly. For: 52.8%. |
| Explanation | This high level of opposition on a discharge vote reflects very serious shareholder concerns. However, UBS was aware of the situation as it had itself declared that the remediation of material weaknesses in internal control was not yet completed. UBS is a company that has a tradition of shareholder engagement and they are receptive to discuss shareholder concerns. Ethos has been engaging with UBS systematically for many years. Over the years, the company has implemented several improvements in its corporate governance, in particular remuneration policy. |

## WEATHERFORD INTERNATIONAL

| Company profile | |
|---|---|
| Sector | Oil Equipment, Services & Distribution |
| Number of employees | 60,000 |
| Net income in 2011 | $262 million (USD) |
| Annual revenue in 2011 | $13.0 billion (USD) |

| | |
|---|---|
| Proposal | Management proposal: Advisory vote on the remuneration report (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | While say-on-pay votes are one of the two options recommended for Swiss companies by the Swiss code of best practice in corporate governance, only approximately 50 listed companies propose such a vote, mainly in response to Ethos' consistent engagement since 2007 on this issue with the 100 largest Swiss listed companies. Weatherford has been incorporated in Switzerland since 2010, but is also listed on the NYSE and is therefore required to propose the advisory vote.<br><br>As in 2011, Ethos recommended to oppose the remuneration report for several reasons: the initial grants under the long-term plan are excessive and at the entire discretion of the remuneration committee; the severance agreements are egregious; and the performance criterion for the vesting of the long-term incentive was changed from a relative TSR to an absolute increase in share price target, which is not best practice. |
| Voting results | Proposal narrowly approved. For: 54.5%. |
| Explanation | This score is one of the worst say-on-pay 2012 results of any Swiss company. While the general contestation on say-on-pay votes in Switzerland grew in 2012 compared to 2011 with only 85.6% approval on average, in Weatherford's case the proposal almost failed to pass (in 2011 the remuneration report was in fact rejected as it received only 44% affirmative votes). Normally, Swiss companies (based in Switzerland, operating in Switzerland, with several Swiss directors on board) take such results very seriously and engage in dialogue with their shareholders in order to ensure wide shareholder support at the next AGM. As Weatherford has no Swiss directors and no operations in Switzerland and is only domiciled and listed in Switzerland, the reactions of the board are more consistent with corporate behaviour in the US, where companies are much less likely to take into consideration shareholder views. This is also clearly illustrated by the fact that the remuneration report almost failed in 2012. |

## WEATHERFORD INTERNATIONAL

| Company profile | |
|---|---|
| Sector | Oil Equipment, Services & Distribution |
| Number of employees | 60,000 |
| Net income in 2011 | $262 million (USD) |
| Annual revenue in 2011 | $13.0 billion (USD) |

| | |
|---|---|
| Proposal | Management proposal: Approve increase of authorised share capital ('blank cheque' share issuance) |
| Partner recommendation | Oppose |
| Rationale | When issuing shares out of the authorised capital in Swiss companies, the board may decide to waive pre-emptive rights in the case of transactions linked with the acquisition of part or a whole company, to issue shares to employees, to enlarge its shareholder base, or for any other valid reason as stipulated in Swiss company law. The authorised share capital provides the board with more flexibility to transact ordinary business without having to call an extraordinary general meeting for relatively small share issuances.<br><br>In the present case, the company has not indicated any precise intention of making use of this authority. Approval would give a blank cheque to the board that could dilute shareholders very significantly without them having any subsequent say on the use of their capital. Most institutional shareholders in Switzerland and abroad refuse such blank cheques to Swiss companies and the message has started to be understood by boards that often make smaller requests in subsequent AGMs. |
| Voting results | Proposal did not pass. For: 62% (required two thirds approval). |
| Explanation | The failure of this request illustrates increasing reluctance of shareholders to accept blank cheque requests for the board to issue capital potentially without pre-emptive rights. This could lead to significant dilution and the 50% limit set in Swiss company law is seen as inappropriate by most institutional investors.<br><br>Weatherford's board has asked for the maximum authority allowed by Swiss company law, but the investor community considers this limit too high. Several Swiss companies are experiencing refusals at shareholder meetings. They generally reach out to the shareholders to discuss the reasons of the refusal and subsequently propose lower authorisations in the following AGM. It will be interesting to monitor Weatherford's reaction to this negative vote. |

# 5.7 UNITED KINGDOM

**CWC partners: Trades Union Congress (TUC) and PIRC**

TUC is the UK's national trade union centre, representing more than six million workers in 55 unions. Its members work in all sectors of the economy, and include factory workers and computer programmers; office staff and shop workers; bus drivers and airline pilots; teachers, soap stars and fashion models. The TUC's mission is to raise the quality of working life and promote equality for all by campaigning for trade union aims and values, helping unions to increase membership and effectiveness, cutting out wasteful rivalry, and promoting trade union solidarity.

PIRC is the UK's leading independent research and advisory consultancy providing services to institutional investors on corporate governance and corporate social responsibility.

The TUC and PIRC selected key votes at these British companies:

- Aviva
- Barclays
- WPP
- Xstrata

## Key votes overview

The TUC and PIRC have selected votes that focus on the issue of executive pay. Four votes are on remuneration reports, and the fifth is the election of the chair of the remuneration committee at Barclays.

Executive pay has been a major issue at this year's AGM season in the UK, with a wave of shareholder revolts dubbed a 'shareholder spring' by the media. 'Say-on-pay' is not new in the UK; shareholders have had an advisory vote on remuneration reports since 2003. However, from 2003 to 2011 inclusive, only 18 remuneration reports have been defeated at company AGMs. The 2012 AGM season has seen a spike in 'no' votes on remuneration reports, with the average vote against increasing to approximately 7.5%. A total of nine remuneration reports (six on the FTSE All Share and three on the AIM and FTSE Fledgling indices) have been defeated during the 2012 AGM season.

One reason for the increased interest in executive pay is that the UK government has been undertaking a review of policy on executive pay and developing new proposals that will be implemented next year. From October 2013, UK shareholders will have a binding vote on a forward-looking remuneration policy report and an advisory vote on the implementation of executive awards over the previous year.

The TUC's main concerns in relation to executive pay are:

- Level of executive rewards and in particular the gap between executive pay and pay of ordinary employees in the same companies;
- Rate of increase of executive pay and how pay rises for executives compare with pay rises for other company staff; and
- Use of performance-related pay, which the TUC believes is ineffective in terms of either motivating or rewarding performance effectively.

The TUC believes the gap between executive pay and the pay of other workers, both within the same companies and across the economy as a whole, has become too large and cannot be justified. We are particularly concerned that executives frequently receive much higher increases in pay than those awarded to other staff in the company, thus continually pushing pay differentials upwards. The TUC believes executive pay should be based primarily on salary, as is the case for the vast majority of staff in all walks of life. If performance-related pay is used, it should be limited to one scheme and the performance-related rewards should not dominate the total remuneration package. In addition, performance-related schemes should be open to all company staff.

## AVIVA

| Company profile | |
|---|---|
| Sector | Nonlife Insurance |
| Number of employees | 36,600 |
| Net income in 2011 | £2.786 billion |
| Annual revenue in 2011 | £3.254 billion |

| | |
|---|---|
| Proposal | Management proposal: Advisory vote to approve the remuneration report (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | Rewards are considered by the TUC and PIRC to be excessive. The maximum level of potential performance based remuneration for the chief executive is 425% of salary. The TUC believes that performance-based rewards should not dominate the total remuneration package.<br><br>In 2010, as part of the recruitment offer made to the finance officer, Patrick Regan, the remuneration committee approved a one-off grant of share awards under the Finance Officer Recruitment Share Awards Plan. Awards which vested under this scheme in 2011 amounted to £401,434 or 64% of base salary. In 2011, the remuneration committee approved the granting of a one-off conditional share award to Trevor Matthews with a grant value of £2.02 million as part of the recruitment offer made to him. The TUC does not support the payment of 'golden hellos.' |
| Voting results | Proposal was not passed. For: 41%; against: 49%; abstain: 9%. |
| Explanation | Aviva chief executive Andrew Moss resigned shortly after this result. The vote against Aviva's remuneration report was widely interpreted as a protest against his performance as well as his pay. |

## BARCLAYS PLC[39]

| Company profile | |
|---|---|
| Sector | Financial Services |
| Number of employees | 140,000 |
| Net income in 2011 | £3.951 billion |
| Annual revenue in 2011 | £32.292 billion |

| | |
|---|---|
| Proposal | Management proposal: Advisory vote to approve the remuneration report (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | The long-term incentive award made to the chief executive during the year was approximately £11.8 million in value, around nine times his base salary. Share schemes exercises during the year produced a gain of about £13.8m, more than 10 times his salary. These rewards are considered by the TUC and PIRC to be excessive and totally inappropriate given Barclays' current circumstances. Barclays has been fined for the miss-selling of personal pensions and the bank is trading at below net asset value. In the view of the TUC and PIRC, the payment of such high levels of performance-related rewards to the chief executive in these circumstances is totally inappropriate. |
| Voting results | Proposal passed. For: 69%; against: 25%; abstain: 6%. |
| Explanation | Many UK investors felt that the chief executive was too highly rewarded, and should not have received significant performance-related rewards. Some investors were also concerned at the "tax equalization" payment made to the chief executive. |

## BARCLAYS PLC

| Company profile | |
|---|---|
| Sector | Financial Services |
| Number of employees | 140,000 |
| Net income in 2011 | £3.951 billion |
| Annual revenue in 2011 | £32.292 billion |

| | |
|---|---|
| Proposal | Management proposal: Re-elect Alison Carnwath (chair of the remuneration committee) |
| Partner recommendation | Oppose |
| Rationale | Alison Carnwath is chair of Barclays' remuneration committee. As outlined above, the TUC and PIRC believe that the payment of such high levels of performance-related rewards to the chief executive when Barclays has had to pay fines relating to miss-selling products to customers and is trading at below net asset value indicates a failure of judgement on the part of the remuneration committee.<br><br>It should be noted that Lloyds responded to the miss-selling scandal by using 'claw back' to reduce bonuses for executives. In contrast, Barclays has awarded chief executive Bob Diamond performance-related rewards of around 19 times his base salary.<br><br>Poor disclosure and a complex remuneration structure also reflect poor practice on the part of the remuneration committee. |
| Voting results | Committee chair was elected. For: 76%; against: 20%; abstain: 3%. |
| Explanation | Although Alison Carnwath was re-elected at the AGM, the proportion of shareholders voting against her re-election was extremely high; most directors are elected with very few votes against or abstentions. The high oppose vote for Alison Carnwath reflects shareholder concerns about her role as chair of Barclays' remuneration committee. |

## WPP[40]

| Company profile | |
|---|---|
| Sector | Media |
| Number of employees | 162,000 |
| Net income in 2011 | £917 million |
| Annual revenue in 2011 | £10.022 billion |

| | |
|---|---|
| Proposal | Management proposal: Advisory vote to approve the remuneration report (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | Rewards are considered by the TUC and PIRC to be excessive. In addition, the performance-related elements comprise a very large proportion of total remuneration. The TUC believes that performance-based rewards should not dominate the total remuneration package.<br><br>Chief executive Martin Sorrell received a 60% rise in total remuneration to £6.8 million, with his basic salary rising 30% to £1.30 million. His total take-home pay, including deferred share options and pension, totalled £13 million. The salaries of Paul Richardson, group finance director, and Mark Read, strategy director, were also increased by 30%. These increases are totally out of line with those offered to other staff in the company. The TUC believes that pay increases for directors should be in line with those offered to other employees in the company.<br><br>During 2011, the chief executive received conditional matching shares equivalent to 1,810% of his base salary. In addition, the short-term incentive scheme allows the grant of cash and shares of up to 500% of salary for the chief executive, up to 300% of salary for the finance director, and up to 200% of salary for the strategy director.<br><br>The extremely high level of rewards is particularly inappropriate given the poor acquisition record of WPP. PIRC considers that the company has been better at enriching the shareholders of the companies and partnerships it has bought, rather than the shareholders of WPP. The clear evidence of overpaying for acquisitions is the amount of write-offs of goodwill and acquisition-related intangibles, which total £1.3 billion, representing 20% of shareholder equity. |
| Voting results | Proposal did not pass. For: 40%; against: 59%; abstain: 1%. |
| Explanation | This result follows a 40% vote against WPP's remuneration report at its 2011 AGM. The fact that following the 2011 AGM directors' remuneration has increased sharply while WPP's share price has fallen by 14% is reflected in the defeat of this year's remuneration report. |

## XSTRATA[41]

| Company profile | |
|---|---|
| Sector | Mining |
| Number of employees | 70,000 |
| Net income in 2011 | $5.933 billion (USD) |
| Annual revenue in 2011 | $33.877 billion (USD) |

| | |
|---|---|
| Proposal | Management proposal: Advisory vote to approve the remuneration report (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | Rewards are considered by the TUC and PIRC to be excessive. The chief executive received an annual bonus of 300% of base salary and also received an award of 400% of base salary under the LTIP. The TUC believes that performance-based rewards should not dominate the total remuneration package.<br><br>In addition, the company barely trades above net asset value, indicating a fundamental lack of shareholder value creation. |
| Voting results | Proposal passed. For: 61%; against: 35%; abstain: 4%. |
| Explanation | The high level of oppose votes for the remuneration report reflects concern among shareholders that problems raised in previous years over the structure and disclosure of remuneration had not been addressed by the remuneration committee. |

# 5.8 UNITED STATES OF AMERICA

**CWC partner: American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)**

The AFL-CIO is the umbrella federation for US unions, with 56 unions representing more than 12 million working men and women.

The AFL-CIO's Office of Investment gives workers a voice in the capital markets by leading corporate governance shareholder initiatives and advocating for legislative and regulatory reform.

AFL-CIO selected key votes at these US companies:

- Chesapeake Energy
- Citigroup
- JPMorgan Chase & Co.
- Nabors Industries
- WellCare Health Plans

## Key votes overview

The AFL-CIO identified five votes as typifying how shareholders sought in 2012 to make US companies more accountable: two on corporate involvement in politics, one on executive compensation, and two on significant corporate governance issues. These votes provide good examples of the major concerns that shareholders had with how the companies they own are managed. In all five votes, at least 35% of shares were voted in opposition to management's recommendation, demonstrating a significant level of shareholder discontent. In three of the votes, a majority of shares were voted against management's recommendation.

A shareholder proposal at Chesapeake Energy seeking a report on company lobbying activity and a shareholder proposal at WellCare Health Plans seeking a report fully disclosing the company's political spending are notable examples of the scores of such proposals that were filed at US companies in 2012. Shareholders and groups such as the Center for Political Accountability have long sought to bring the role of corporate money in politics into the open. These efforts have gained increased traction during the first presidential election year since the 2010 US Supreme Court's *Citizens United* decision. This decision to remove most restrictions on corporate political spending has increased the need for enhanced transparency of company policies and expenditures related to lobbying and elections.

A majority of shareholders at Citigroup voted against the company's say-on-pay vote. The vote illustrates that poorly designed and often excessive executive compensation plans remain a central concern of shareholders. These advisory say-on-pay votes on executive compensation are mandated for US publicly traded companies by the Dodd-Frank Act. Say-on-pay votes failed at more than 50 companies in 2011, demonstrating that shareholders are willing to make use of this now-mandatory means of communicating with the board of directors at the companies they own.

At another large financial institution, JP Morgan Chase, a shareholder proposal requiring that the chair of the board of directors be independent received significant shareholder support. The strong support for this proposal suggests that shareholders are increasingly recognizing an independent chair requirement as an important corporate governance best practice. While the number of large companies that have an independent board chair has grown in recent years, the positions of CEO and chair are still held by the same person at 60% of companies.

At Nabors Industries shareholders approved a non-binding proposal to allow shareholders to have their board candidate nominees included on the company's proxy ballot. A US Securities and Exchange Commission rule establishing the right of shareholders to have their nominees included on the company's proxy ballot was struck down by the US Court of Appeals for the DC Circuit in 2011. Shareholders have now resumed submitting proposals for this right at individual companies, offering the possibility that over time shareholders may yet gain this important right at many companies.

## CHESAPEAKE ENERGY CORPORATION[42]

| Company profile | |
|---|---|
| Sector | Oil & Gas Producers |
| Number of employees | 12,600 |
| Net income in 2011 | $1.8 billion |
| Annual revenue in 2011 | $11.6 billion |

| | |
|---|---|
| Proposal | Shareholder proposal: Political lobbying expenditures |
| Partner recommendation | Support |
| Rationale | This shareholder proposal requested an annual report from Chesapeake Energy's board of directors to disclose the company's policies and procedures governing lobbying of legislators and regulators and also provide a listing of expenditures made by the company on direct lobbying and grassroots lobbying communications. The proposal requested that the report include both payments made to trade associations that are used for lobbying and also payments used to write and endorse model legislation.<br><br>Corporate lobbying exposes a company to the risk that the lobbying will not be aligned with the company's stated goals and long-term shareholder value. Existing publicly available data does not provide a complete picture of a company's lobbying expenditures at the federal, state and local levels. Shareholders, therefore, must rely on information provided by the company to assess whether its lobbying policies and expenditures are consistent with the company's expressed goals and are in the best interest of long-term shareholder value. |
| Voting results | Proposal did not pass. For: 37%. |
| Explanation | Though the proposal did not pass, it received a high level of support. Increasingly, shareholders want companies to be transparent in how they use company resources for political purposes. Only through such transparency can shareholders be assured that the company's resources are being used to further shareholder value. |

## CITIGROUP

| Company profile | |
|---|---|
| Sector | Financial Services |
| Number of employees | 266,000 |
| Net income in 2011 | $11 billion |
| Annual revenue in 2011 | $75 billion |

| | |
|---|---|
| Proposal | Management proposal: Advisory vote on executive compensation (say-on-pay) |
| Partner recommendation | Oppose |
| Rationale | This management say-on-pay vote sought shareholder approval of Citigroup's executive compensation policies and practices. Say-on-pay votes serve as a non-binding recommendation to the board of directors.<br><br>Executive pay has not been closely aligned with company performance at Citigroup, especially as measured by shareholder value. Though the company's stock price declined 40% in 2011 and is still a fraction of its pre-financial crisis levels, executive pay has again reached pre-crisis highs. In 2011, the CEO of Citigroup received $14.8 million, a stark increase from his 2010 compensation of just $1. This disconnect between pay and performance was made possible by the largely discretionary nature of Citigroup's incentive compensation for its executives.<br><br>In relation to its peer group, the company has also underperformed for shareholders while over-compensating its senior executives. This reinforced the sense that its executive compensation in 2011 was not in the best interests of shareholders. |
| Voting results | Proposal did not pass. For: 45%. |
| Explanation | Say-on-pay votes have become mandatory at most US companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act. In 2011, these say-on-pay votes failed at over 50 companies. The say-on-pay vote at Citigroup was especially significant because it illustrates that shareholders remain focused on the compensation practices at large financial institutions. |

## JPMORGAN CHASE & CO.

| Company profile | |
|---|---|
| Sector | Financial Services |
| Number of employees | 262,882 |
| Net income in 2011 | $18.9 billion |
| Annual revenue in 2011 | $97 billion |

| | |
|---|---|
| Proposal | Shareholder proposal: Requiring an independent chair |
| Partner recommendation | Support |
| Rationale | This proposal urged JPMorgan Chase's board of directors to adopt a policy that its chair will be independent according to the definition set forth in the New York Stock Exchange's listing standards. The company's current chair, James Dimon, is also its CEO and has held both positions since 2006.<br><br>The separation of the roles of chair and CEO represents a key corporate governance best practice as it gives the board of directors the independent leadership it needs to adequately oversee and monitor the company's management, including the performance of the chief executive officer. When the CEO serves as chair, the board's ability to fulfil its duties may be hindered. Moreover, an independent chair has been found in academic studies to improve the financial performance of public companies.<br><br>An independent chair at JPMorgan would be particularly constructive in light of the numerous investigations into the company's mortgage foreclosure practices. The disclosure in 2012 that the company had suffered a $2 billion loss in its proprietary trading also made it clear that the company's management might benefit from independent oversight. |
| Voting results | Proposal did not pass. For: 40%. |
| Explanation | Shareholder support for proposals seeking an independent chair policy has grown in recent years. While the proposal at JPMorgan Chase did not pass, it did receive significant support. |

## NABORS INDUSTRIES

| Company profile | |
|---|---|
| Sector | Oil Equipment, Services & Distribution |
| Number of employees | 26,080 |
| Net income in 2011 | $244 million |
| Annual revenue in 2011 | $6.1 billion |

| | |
|---|---|
| Proposal | Shareholder proposal: Allow shareholders to have their board candidate nominees included on the company's proxy ballot |
| Partner recommendation | Support |
| Rationale | This proposal asked the board of directors to develop a bylaw to allow shareholders to have their board candidate nominees included on the company's proxy ballot. Under the bylaw, a shareholder or group of shareholders that has owned at least 3% of the company's stock for three years could nominate candidates for up to a quarter of the positions. The company would then be required to include these candidates on the proxy ballot issued to all shareholders.<br><br>The ability to have shareholder nominees included on the company's proxy ballot is an important shareholder right that can help shareholders influence the composition of the board of directors. This proposal sets forth criteria that would assure that only significant long-term shareholders or groups of shareholders would gain the ability to have nominees included on a company-issued proxy ballot rather than on a separate ballot.<br><br>The board of directors at Nabors has been unresponsive to shareholder concerns and votes. It repeatedly awarded its CEO with excessive compensation packages and has not been responsive to shareholder dissatisfaction expressed in say-on-pay and director election votes. |
| Voting results | Proposal passed. For: 56%. |
| Explanation | Shareholders have been pursuing the right to nominate board members for over a decade. The latest attempt of the US Securities and Exchange Commission to establish this right at all public companies was derailed by a court ruling in 2011. This proposal and similar shareholder proposals at other companies make clear that shareholders remain interested in acquiring this important tool to improve corporate governance. |

# WELLCARE HEALTH PLANS

| Company profile | |
|---|---|
| Sector | Health Care Equipment & Services |
| Number of employees | 3,990 |
| Net income in 2011 | $264 million |
| Annual revenue in 2011 | $6.1 billion |

| | |
|---|---|
| Proposal | Shareholder proposal: Political contributions |
| Partner recommendation | Support |
| Rationale | This shareholder proposal asked WellCare Health Plans to prepare and periodically update a report that discloses the amounts and recipients of all of its monetary and non-monetary political contributions and expenditures. This report would include information on contributions to political candidates, political parties and political committees as well as on the amount of payments made to trade associations that are used for political contributions or expenditures.<br><br>Some of this information is available in various public records scattered throughout different states, but it is not readily available in an all-inclusive form to shareholders. Other information is not publicly available at all. For instance, companies in the US are legally permitted to anonymously channel significant amounts of money into the political process through trade associations.<br><br>If adopted, this proposal would provide shareholders with all of this information in a single report, enabling them to better access whether the company's contributions and expenditures are in the company's best interest. The importance of this report to shareholders has grown in the wake of the US Supreme Court's 2010 Citizens United decision that liberalized the rules governing corporate participation in election-related activities. |
| Voting results | Proposal did not pass. For: 45%. |
| Explanation | Had WellCare not counted abstentions in determining vote results, the proposal would have passed: 53% of shareholders who voted for or against this proposal voted in favour. Support for the growing number of political contribution disclosure proposals filed at large companies has grown in recent years. Coalitions of shareholders groups have also engaged in letter writing campaigns to encourage companies to be more transparent and accountable with respect to their political spending. |

# 6.0 2012 Key votes checklist

Global Proxy Review is a tool for pension trustees who wish to monitor how service providers are casting proxy votes on the fund's behalf. Trustees can use this checklist as a quick reference guide for annual proxy voting oversight, and/or in the process of reviewing or choosing service providers.

When using the checklist it is important to keep in mind that it includes only limited information about each vote. Based on selection criteria, partners chose votes on ESG issues where they recommended opposing the management position. Other important information explaining the rationale for each recommendation and the results of each vote can be found in the preceding pages or online using the searchable key votes database at www.workerscapital.org/proxyreview. You may wish to refer back to this information when using the checklist.

The CWC recommends following these steps to use the checklist effectively:

**Step 1:** Print a copy of this checklist and obtain a list of your pension fund's holdings.

**Step 2:** Cross-reference the fund's holding list with the companies on the checklist.

**Step 3:** If your portfolio includes companies on the checklist, determine how votes were cast on behalf of your fund. You may receive this information from your fund manager or proxy voting service in quarterly or annual reports. If not, you can request this information from them.

**Step 4:** Contact your service provider(s) to discuss its voting decisions, encourage consideration of the ESG principles reflected in these key votes, and discourage automatically voting with management.

**Step 5:** Communicate with your plan's beneficiaries about your efforts to take an active role in proxy voting oversight.

**Step 6:** Use the CWC to share your experiences in using this tool and connect with other stewards of workers' capital. Share your feedback at workerscapital.org/proxyreview (click on "Tell us what you think"). If you are not a CWC member, join us at workerscapital.org/membership.

## AUSTRALIA

| Vote | CWC Partner Recommendation | Results[43] | How Did Your Fund Manager Vote? | Notes |
|---|---|---|---|---|
| BlueScope Steel Ltd. management proposal: Vote on remuneration report (say-on-pay) | Oppose | Report approved, but constitutes a 'first strike'; 38.7% against | | |
| Crown Ltd. management proposal: Vote on the remuneration report (say-on-pay) | Oppose | Report opposed; 51.8% against | | |
| News Corporation Ltd. management proposal: Director elections | Oppose/ Withhold | Directors elected; 22 to 35% against/ withheld | | |
| OneSteel Ltd. management proposal: Amend the company's constitution to reduce maximum board size | Oppose | Did not pass; 71.8% against or abstained | | |
| Pacific Brands Ltd. management proposal: Vote on the remuneration report (say-on-pay) | Oppose | Report opposed; 53% against | | |

## CANADA

| Vote | CWC Partner Recommendation | Results | How Did Your Fund Manager Vote? | Notes |
|---|---|---|---|---|
| Bank of Nova Scotia shareholder proposal: Base executives' stock options on performance | Support | Did not pass; 9.3% in favour | | |
| Canadian Natural Resources Ltd. management proposal: Amend the articles to change the preferred shares to Series A preferred shares ('blank cheque' share issuance) | Oppose | Passed; 20.5% opposed | | |
| Cenovus Energy Inc. shareholder proposal: Allow annual say-on-pay votes | Support | Withdrawn; company agreed to annual votes | | |
| Enbridge, Inc. shareholder proposal: Disclose risks surrounding the Northern Gateway pipeline | Support | Did not pass; 28.6% in favour | | |
| Power Corporation management proposal: Elect Paul Desmarais Sr. as director | Oppose/ Withhold | Director elected; 20.6% withheld | | |

## THE NETHERLANDS

| Vote | CWC Partner Recommendation | Results | How Did Your Fund Manager Vote? | Notes |
|---|---|---|---|---|
| KPN N.V. management proposal: Amend the articles of association on shareholder right to place items on the AGM agenda | Consider major corporate governance issues when voting | Passed; 3.6% against | | |
| Mediq N.V. management proposal: Choice of rules applicable to the statutory two-tier regime (board governance) | Consider major corporate governance issues when voting | Did not pass; 40.4% against, 41.3% abstain | | |
| TNT Express N.V. management proposal: Amend the remuneration policy for executive board members (say-on-pay) | Consider major corporate governance issues when voting | Passed; 6% against | | |
| UNIT4 N.V. management proposal: Discharge of the supervisory board for their supervision | Consider major corporate governance issues when voting | Passed; 6.1% against | | |
| Wereldhave N.V. management proposal: Amend the remuneration policy for executive board members (say-on-pay) | Consider major corporate governance issues when voting | Withdrawn because of shareholder views | | |

## SOUTH AFRICA

| Vote | CWC Partner Recommendation | Results | How Did Your Fund Manager Vote? | Notes |
|---|---|---|---|---|
| Anglo American PLC. management proposal: Authorise the directors to allot shares | Oppose | Passed; 23% against | | |
| Nampak Ltd. management proposal: Authorise the directors of the company to acquire or purchase shares issued by the company on the Johannesburg Stock Exchange | Oppose | Passed | | |
| Steinhoff International Holdings Ltd. management proposal: Acquire a 50.1% stake in JD Group by swapping shares | Oppose | Passed; 82% in favour | | |

## SPAIN

| Vote | CWC Partner Recommendation | Results | How Did Your Fund Manager Vote? | Notes |
|---|---|---|---|---|
| Bankia S.A.<br>management proposal: Re-election of the firm to audit the accounts of Bankia, S.A. and its consolidated group in 2012 | Oppose | Passed;<br>1.4% against | | |
| BBVA<br>management proposal: Re-elect to the board of directors José Antonio Fernández Rivero (independent director) | Oppose | Director elected;<br>0.6% against | | |
| Banco Santander S.A.<br>management proposal: Annual report on director remuneration policy (say-on-pay) | Oppose/ Withhold | Passed;<br>8.1% against | | |
| Ferrovial<br>management proposal: Amend the bylaws to eliminate the term limit for independent directors | Oppose | Passed;<br>10.1% against | | |
| Industria de Diseño Textil, S.A. (Inditex, S.A.)<br>management proposal: Advisory vote on the annual report on directors' compensation (say-on-pay) | Oppose | Passed;<br>15.2% against | | |

## SWITZERLAND

| Vote | CWC Partner Recommendation | Results | How Did Your Fund Manager Vote? | Notes |
|---|---|---|---|---|
| Inficon<br>management proposal: Increase pool of conditional capital for the employees ('blank cheque' share issuance) | Oppose | Passed;<br>81% in favour | | |
| Transocean<br>management proposal: Elect Chad Deaton as director | Oppose | Director elected;<br>97% in favour | | |
| UBS<br>management proposal: Discharge board and executive management for their management of the company in 2011 | Oppose | Passed;<br>52.8% in favour | | |
| Weatherford International<br>management proposal: Advisory vote on the remuneration report (say-on-pay) | Oppose | Passed;<br>54.5% in favour | | |
| Weatherford International<br>management proposal: Approve increase of authorised share capital ('blank cheque' share issuance) | Oppose | Did not pass;<br>62% in favour (required two thirds vote) | | |

## UNITED KINGDOM

| Vote | CWC Partner Recommendation | Results | How Did Your Fund Manager Vote? | Notes |
|---|---|---|---|---|
| Aviva<br>management proposal: Advisory vote to approve the remuneration report (say-on-pay) | Oppose | Did not pass; 41% in favour | | |
| Barclays PLC<br>management proposal: Advisory vote to approve the remuneration report (say-on-pay) | Oppose | Passed; 25% against | | |
| Barclays PLC<br>management proposal: Re-elect Alison Carnwath (chair of the remuneration committee) | Oppose/ Withhold | Passed; 20% against | | |
| WPP<br>management proposal: Advisory vote to approve the remuneration report (say-on-pay) | Oppose | Did not pass; 59% against | | |
| Xstrata<br>management proposal: Advisory vote to approve the remuneration report (say-on-pay) | Oppose | Passed; 39% against | | |

## UNITED STATES

| Vote | CWC Partner Recommendation | Results | How Did Your Fund Manager Vote? | Notes |
|---|---|---|---|---|
| Chesapeake Energy Corporation shareholder proposal: Political lobbying expenditures | Support | Did not pass; 37% in favour | | |
| Citigroup management proposal: Advisory vote on executive compensation (say-on-pay) | Oppose | Did not pass; 45% in favour | | |
| JP Morgan Chase & Co. shareholder proposal: Requiring an independent chair | Support | Did not pass; 40% in favour | | |
| Nabors Industries shareholder proposal: Allow shareholders to have their board candidate nominees included on the company's proxy ballot | Support | Passed; 56% in favour | | |
| WellCare Health Plans shareholder proposal: Political contributions | Support | Did not pass; 45% in favour | | |

**Overview of proxy votes cast on your behalf**

Total number of votes cast: ______

Total number of votes cast in line with partner recommendation: ______

## 7.0 Evaluation

This report is meant to work for you. Please fill out this short evaluation to help us improve Global Proxy Review for pension fund trustees and other responsible investors. You can:

- Fill out the survey online at: workerscapital.org/proxyreview/feedback
- E-mail your answers to: gpatel@share.ca
- Print, complete and send the form to:
  CWC Secretariat c/o SHARE
  Suite 1200 – 1166 Alberni Street
  Vancouver B.C.
  V6E 3Z3 Canada

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How did you hear about Global Proxy Review?
*(Check all that apply, and specify if possible)*

☐ The CWC

☐ My pension fund:

☐ My union:

☐ My proxy voting service:

☐ The media:

☐ Other: ____________________________

How did you read the Global Proxy Review 2012 report?

☐ Downloaded the PDF report

☐ Used the website/online votes database

☐ Both

How useful did you find the report?

- [ ] Very useful
- [ ] Somewhat useful
- [ ] Neutral
- [ ] Not useful
- [ ] Totally irrelevant

Did you contact your service provider (fund manager or proxy voting service) to discuss the key votes information in Global Proxy Review?

- [ ] Yes
- [ ] No

Please tell us more about why or why not, and what the results were.

How could we improve the project (report and website) in future years to better serve trustees?

Please share any additional comments.

Please share your contact information if you are willing to talk to the CWC about your responses:

# 8.0 Endnotes

[1] "Large-cap" generally refers to companies with market capitalization over $10 billion (USD).

[2] Starting with this 2012 report, the Global Proxy Review project will use the Industry Classification Benchmark System's sector definitions in order to standardize data over time with a widely-used and recognized system, while still maintaining a modest level of descriptive quality in the sector labels. A breakdown of the ICB with a full list of sectors can be accessed at http://www.icbenchmark.com.

[3] Gregg Passin, Ted Jarvis and Amy Knieriem, Say on Pay — *A Global Perspective*, Mercer, 2012, http://www.mercer.com/articles/say-on-pay-a-global-perspective, accessed September 13, 2012. For a recent study of executive remuneration in Switzerland, including the impact of say-on-pay votes, see: Ethos Foundation, *Rémunérations 2011 des instances dirigeantes 100 plus grandes sociétés cotées en Suisse*, 2012, http://www.ethosfund.ch/upload/publication/p415f_120907_Etude_Ethos_Rmunrations_des_instances_dirigeantes_des_plus_grandes_socits_cotes_en_Suisse.pdf.

[4] See, for example: Sewell Chan, "Crisis Panel's Report Parsed Far and Wide" (*New York Times*, January 27, 2011); Louise Story, "Executive Pay" (*New York Times*, March 3, 2011).

[5] Ole Beier Sorensen and Stephanie Pfeifer, "Climate Change Issues in Fund Investment Practices" (International Social Security Review, 2011, 64(4)).

[6] Keith Johnson, *Reclaiming Forgotten Fiduciary Duty Fundamentals* (Public consultation draft for meetings with the Network for Sustainable Financial Markets, March 21, 2011), http://www.sustainablefinancialmarkets.net

[7] Sorensen and Pfeifer, 2011, op. cit.

[8] Ibid.; UNEP FI, *Fiduciary Responsibility: Legal and Practical Aspects of Integrating Environmental, Social and Governance Issues into Institutional Investment* (Asset Management Working Group of the United Nations Environment Programme Finance Initiative, 2009), a follow up to the AMWG's 2005 'Freshfields Report', http://www.unpri.org/publications. See also Tessa Hebb, "The Economic Inefficiency of Secrecy: Pension Fund Investors' Corporate Transparency Concerns" (*Journal of Business Ethics*, 2006, 63:385-405); FairPensions, *Fund Manager Transparency and Engagement on Environmental, Social and Governance Issues* (2007), http://www.fairpensions.org.uk.

[9] UNEP FI., 2009, op. cit.

[10] For example: European Parliament, *European Parliament resolution of 13 March 2007 on corporate social responsibility: a new partnership*, http://www.europarl.europa.eu under Plenary, Texts Adopted. An ILO report cites a US shareholders' campaign asking the Securities and Exchange Commission to require companies to disclose risks associated with climate change: Elizabeth Umlas, *Investing in the Workforce: Socially Responsible Investors and International Labour Standards* (ILO Employment Working Paper 29, 2009), http://www.ilo.org. A report from the Canadian Institute of Chartered Accountants provides relatively more recent updates, including for Canada and South Africa: Canadian Institute of Chartered Accountants, *Environmental, Social and Governance (ESG) Issues in Institutional Investor Decision Making* (2010), http://www.cica.ca/publications.

[11] As You Sow, *Corporate Social Responsibility: Understanding Shareholder Votes*, accessed 2012, http://www.asyousow.org/csr/understandingvote.shtml; Interfaith Centre on Corporate Responsibility, "The Importance of Voting Your Proxy Ballot" (*The Corporate Examiner*), http://www.iccr.org/publications/examiner_pastarticles/corpexaminer_proxyvote.php.

[12] As You Sow, 2012, op. cit.

[13] For example: *AFL-CIO Office of Investment, AFL-CIO Key Votes Survey: How Investment Managers Voted in the 2011 Proxy Season* (2011), www.aflcio.org/proxyvotes; Shareholder Association for Research and Education, *Key Proxy Vote Survey* (2011), www.share.ca; Trade Union Congress, *TUC Fund Manager Voting Survey 2011* (2011), www.tuc.org.uk.

[14] Revenue and income indicators taken from Bluescope Steel Ltd., *Financial Report 2010/2011* (for year ending June 31, 2011), accessed August 21, 2012, http://www.bluescopesteel.com/files/dmfile/FullFinancials2011.pdf.

[15] Company sources did not provide a credible number of employees. A profile on the Hoover's website estimates 18,722, http://www.hoovers.com/company/BlueScope_Steel_Limited/rfjtfji-1-1njht4-1njfaq.html; the company's LinkedIn profile puts it in a category of above 10,000 employees, http://www.linkedin.com/company/bluescope-steel; a Wikipedia entry for the company pegs number of employees at 17,000 (minus the 1,000 that lost jobs with plant closures in 2011), but does not cite any credible sources for data, http://en.wikipedia.org/wiki/BlueScope_Steel.

[16] Currency figures in the indicator tables for each company are the same as reported by the company (as cited) or by the project partner who selected the votes. The CWC wished to avoid any discrepancies that might have been the result of conversion to a single currency.

[17] Indicators from: Crown Limited, *Annual Report 2011* (for the year ending June 30, 2011), accessed August 21, 2012, http://www.crownlimited.com/Assets/Files/2011%20Crown%20Limited%20-%20Annual%20Report%20-%20Interactive%20Version.pdf. Number of employees cited on company website, http://www.crownlimited.com/Page.aspx?ID=174.

[18] Indicators from: News Corporation, *2011 Annual Report* (for fiscal year ending June 30, 2011), accessed August 21, 2012, http://www.newscorp.com/Report2011/2011AR.pdf.

[19] Indicators from: OneSteel, *Annual Report 2011* (for the year ending June 30, 2011) accessed August 21, 2012, http://onesteel2011.annual-report.com.au.

[20] Indicators from: Pacific Brands, *Annual Report 2011*, accessed August 21, 2012, http://www.pacificbrands.com.au/media/docs/Pacific-Brands-Annual-Report-2011-0e32e5b4-5e90-4bfa-8214-cb51fce3a0c0-0.pdf. Although this is the 2011 report, it was released in August of 2011, whereas most annual reports in other markets are released at the end of the calendar year or in January of the following year. Employee figures were found at the company's website, http://www.pacificbrands.com.au/about-us/our-company.html.

[21] Indicators from: Bank of Nova Scotia, *Scotiabank Annual Report 2011*, accessed August 13, 2012, http://www.scotiabank.com/ca/common/pdf/ir_and_shareholders/280183_Scotia_ENG_AR.pdf.

[22] Indicators from: Canadian Natural. *2011 Annual Report*, accessed August 14, 2012, http://www.cnrl.com/upload/media_element/496/01/w_cnq-2011-ar.pdf.

[23] Indicators from: Cenovus. *2011 Annual Report to Shareholders*, accessed August 13, 2012, http://www.cenovus.com/invest/docs/2011-annual-report/cenovus-AR-2011.pdf.

[24] Enbridge, Inc., *About Enbridge*, accessed August 13, 2012, http://www.enbridge.com/AboutEnbridge/CorporateOverview.aspx.

[25] Indicators from: Enbridge, Inc. *Annual Report 2011* (Consolidated statements of earnings), accessed August 13, 2012, http://ar.enbridge.com/ar2011.

[26] Indicators from: Power Corporation of Canada, *Annual Report 2011*, http://www.powercorporation.com/media/upload/reports/annual/PCC_AR_2011_ENG_complete_1.pdf; Power Corporation of Canada, *2011 Annual Information Form*, accessed September 25, 2012, http://www.powercorporation.com/media/upload/reports/aif/PCC_AIF_Eng_Final_-_March_23_2012.pdf.

[27] Eumedion reported all company indicators in its submission to Global Proxy Review.

[28] LRS provided all company data in its submission to Global Proxy Review. Where LRS referenced sources, the CWC has included these as subsequent endnotes. Anglo American, *Annual Report 2011*, http://ar11.angloamerican.com/_assets/pdf/final/AA_AR2011.pdf.

[29] AngloAmerican, http://www.angloamerican.com/about/ataglance.

[30] Indicators taken from the updated 2011 financial statement, which had to be reissued in May 2012 because of significant accounting errors. Bankia, S.A. *Financial Statements for the year ending 31 December 2011*, accessed August 17, 2012, http://www.bankia.com/Ficheros/CMA/ficheros/Bankia_Co_Annual_Acc_2011.pdf.

[31] Indicators from: BBVA, *2011 Annual Financial Report* Online, accessed August 17, 2012, http://shareholdersandinvestors.bbva.com/TLBB/micros/FinancialReport2011/en/index.html; and Grupo BBVA, About us, accessed August 17, 2012, http://www.bbva.com/TLBB/tlbb/jsp/ing/conozca/index.jsp.

[32] Indicators from English version: Santander, *Annual Report 2011*, accessed August 17, 2012, http://memoria.santander.webfg.com/2011/descargas/1.0_SAN_IA_en.pdf.

[33] Indicators from: Ferrovial, *2011 Consolidated Financial Statements*, accessed August 17, 2012, http://www.ferrovial.com/outside/groups/contenidos_generales/documents/documento/~edisp/doc_consolidated_fin_sta_2011.pdf; Ferrovial, *About Us*, accessed August 17, 2012, http://www.ferrovial.com.

[34] Indicators from: Inditex, *Annual Report 2011*, accessed August 17, 2012, http://www.inditex.com/en/shareholders_and_investors/investor_relations/annual_reports.

[35] Authorized capital: According to Swiss law (CO Art. 651), to avoid convening an extraordinary general meeting every time an increase in the company's capital is needed, the board of directors can ask the general meeting for the right to create a pool of authorized capital. The authorized capital may be used for general financing requirements or for specific reasons, such as to purchase a company or a stake in a company in which case pre-emptive rights can be waived. By approving the creation of authorized capital, the annual general meeting gives the board of directors the right to proceed to successive capital issuances, on its own initiative, up to the authorized amount during a period of no more than two years.

[36] Conditional capital: According to Swiss law (CO Art. 653), the board of directors can request the general meeting for the right to create a pool of conditional capital that can exclusively serve for the conversion of convertible bonds held by bondholders or options held by company directors, employees or other people. Pre-emptive rights are always waived.

[37] Ethos Foundation reported all company indicators in its submission for Global Proxy Review 2012.

[38] Indicators from: Aviva, *Annual Report and Accounts 2011*, accessed September 14, 2012, http://www.aviva.com/library/pdfs/reports/2011/aviva-2011-annual-report.pdf; Aviva, *About Us*, accessed September 14, 2012, http://www.aviva.com/about-us.

[39] Indicators from Barclays, *Annual Report 2011*, accessed September 14, 2012, http://group.barclays.com/Satellite?blobcol=urldata&blobheader=application/pdf&blobheadername1=Content-Disposition&blobheadername2=MDT-Type&blobheadervalue1=inline;+filename=2011-Barclays-PLC-Annual-Report-%28PDF%29.pdf&blobheadervalue2=abinary;+charset=UTF-8&blobkey=id&blobtable=MungoBlobs&blobwhere=1330686323829&ssbinary=true; and Barclays, *About Us*, accessed September 14, 2012, http://group.barclays.com/about-barclays/about-us#about-us.

[40] Indicators from: WPP, *Annual Report & Accounts 2011*, accessed September 14, 2012, http://www.wpp.com/AnnualReports/2011/pdfs/wpp-ar11-full-report.pdf; and WPP, *WPP At a Glance*, accessed September 14, 2012, http://www.wpp.com/wpp/about/wppataglance.

[41] Indicators from: Xstrata, *Annual Report 2011*, accessed September 13, 2012, http://www.xstrata.com/annualreport/2011 and http://www.xstrata.com/about.

[42] The AFL-CIO provided all company indicators in its submission to Global Proxy Review.

[43] Results in the checklist are reported as a percentage of total votes cast. In some cases these totals include abstentions, but in other cases they do not. Please refer back to the full vote information on pages 11–60 or online at www.workerscapital.org/proxyreview.

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committee on workers' capital

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