Global Proxy Review

A pension trustee's guide to key shareholder votes in 2013

committee on workers' capital

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

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

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- **The Netherlands:** Rients Abma, Eumedion
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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 2013.

Why the report is needed

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

In 2010, trustees active in the CWC's Working Group on Shareholder Activism spurred the CWC to survey important national markets for key shareholder votes at multinational corporations likely to be held in global equity portfolios to address the knowledge gap related to cross-national data on key proxy votes. As a result, the Global Proxy Review, 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.

What is new for 2013

On the advice of the 2012 partners from South Africa, South Africa's Government Employee's Pension Fund, Africa's largest pension fund, has become a partner for Global Proxy Review 2013.

The interactive web-based version of Global Proxy Review, found at www.workerscapital.org/proxyreview, has been updated to compile votes from multiple years.

What you will find in this report

This third Global Proxy Review report covers forty votes at company annual general meetings (AGMs) during the first through the third quarter of 2013 in eight countries.

In the following pages you will find:

- a description of the project's methodology;
- a "Votes at a Glance" section that summarizes and maps the findings of the 2013 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;
- 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;

2.0 Methodology

Global Proxy Review takes a collaborative, qualitative case-study approach. Coordinated by the CWC Secretariat, project partners in each country followed three steps to gather and compile the key vote information.

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 (UN PRI) when developing the criteria.

Partners were asked to select votes:

- That occurred at widely-held, large cap 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;
- Of significant importance to the labour movement and within the Environmental, Social and Governance (ESG) pillars of responsible investing.

Step 2: Application of criteria to national key votes

Each partner had the exclusive responsibility to apply the criteria systematically and 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 the CWC Working Group on Shareholder Activism reviewed the final report before publication.

As described in the endnotes, data about company finances and employees was retrieved primarily by accessing online company information from business news sources, or was included in partner submissions to the report.[1] 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 and expressed as millions of the appropriate currency for readability and ease of use.

3.0 Global proxy voting in context

Workers' capital, active ownership and responsible investment

The term "workers' capital" primarily refers to employees' retirement savings. Pension funds are the financial vehicle of employees' retirement savings. Given that occupational pension plans – linked to an employment relationship between the employees and the entity establishing the plan[2] – aggregate a large pool of savings under a common governance structure, they tend to be an important vehicle for active ownership. These savings are often invested by pension funds 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 take into account 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.[3]

Incorporating ESG into trusteeship

Trustees often face considerable challenges in implementing ESG investment management generally and in the oversight of proxy voting practices in particular. The trustee board is one link in a complex chain between pension beneficiaries and the companies in which they invest. The chain also includes service providers such as fund managers, proxy voting agencies, and shareholder engagement services. Getting clear information from these providers can be difficult, making it harder for workers and their pension trustees to understand the risks, opportunities, and responsibilities of investment, along with the potential avenues for effective shareholder action.[4]

Conflicts of interest within these investment chains can complicate these relationships and may decrease the efficiency, impartiality, and returns of investments.[5] 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. Directors of the boards of public pension plans may also 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 best interests of beneficiaries. Because of real and perceived legal limitations, the exercise of fiduciary duty often focuses primarily on maximizing short-term financial returns within an acceptable level of risk. This has fuelled a belief that considering ESG issues may diminish investment performance, and is therefore not consistent with fiduciary responsibility.

Despite these challenges, ESG issues are being addressed to a greater degree within investment decision-making processes.[6] There is strong evidence that not only is ESG integration consistent with fiduciary duty, it can also reduce risk and enhance the long-term financial gains of pension and other investment funds.[7] In fact, fiduciaries and fund managers may be *obligated* to consider ESG principles in their decision-making.[8] Policymakers and regulators are bolstering these trends with efforts to improve and require corporate disclosure and reporting on ESG issues.[9]

Proxy voting as a responsible investment strategy

Active ownership and responsible investment include the exercise of shareholder rights. Shareholder voting is a primary way for investors to 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.[10]

In order to pursue this opportunity, trustees need an understanding of how proxy voting works and how to interpret the reports of proxy voting agents. The distribution of share ownership affects the prospects and outcomes of votes, and varies widely by company. Large financial institutions 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 whether shareholders own a majority or not.[11] 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

Because 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 trustees can access voting recommendations and surveys of voting records in their own national markets,[12] little comprehensive information is available to inform 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 helps 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 in 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 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.

Canada

KEY VOTE ISSUES

- Executive compensation cap
- Executive remuneration
- Director elections
- Share allotment
- Auditor re-election

The Netherlands

KEY VOTE ISSUES

- Board member discharge
- Executive remuneration
- Shareholder rights

Spain

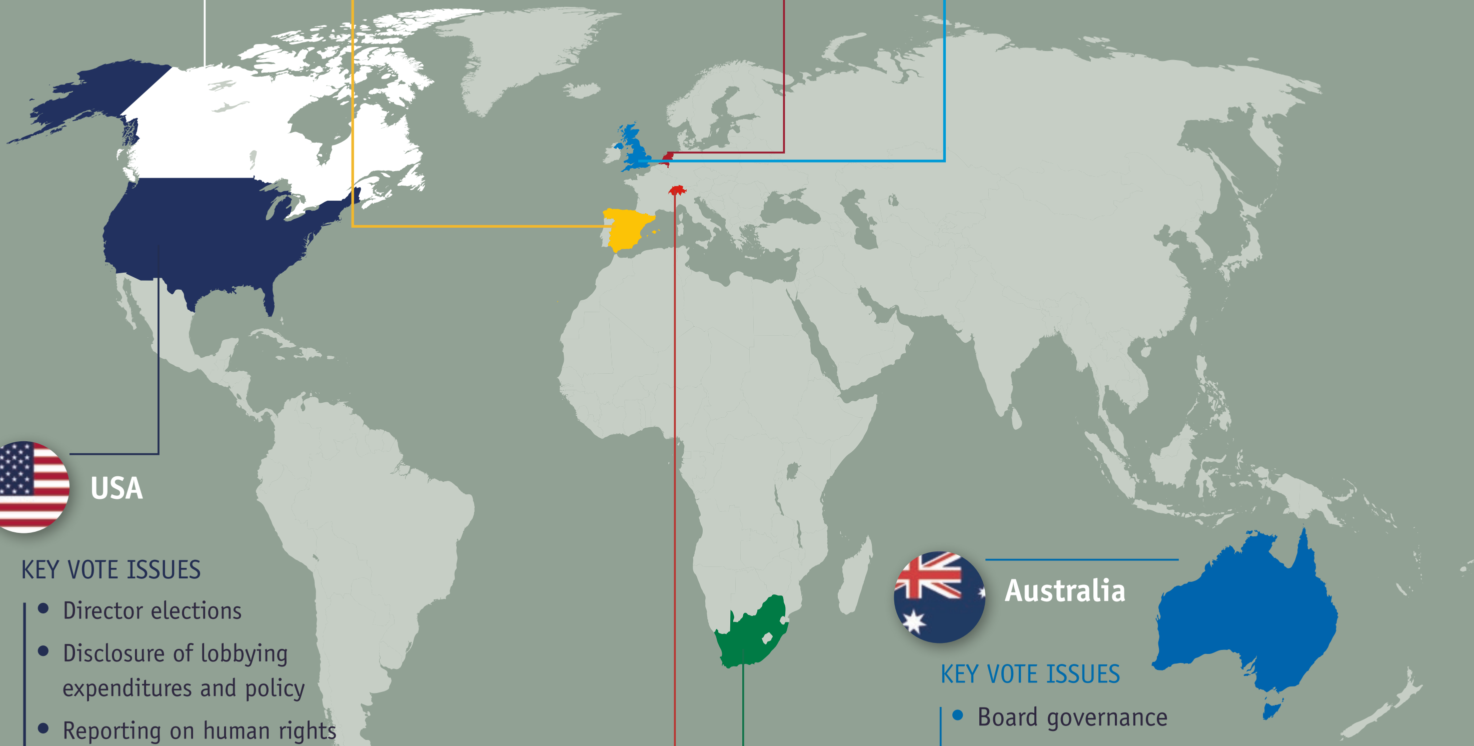
KEY VOTE ISSUES

- Auditor re-election
- Director election
- Executive compensation

UK

KEY VOTE ISSUES

- Labour practices
- Executive remunerations
- Director elections
- Questionable stock options



USA

KEY VOTE ISSUES

- Director elections
- Disclosure of lobbying expenditures and policy
- Reporting on human rights
- Independent board chair
- Pay clawback policy disclosure

Australia

KEY VOTE ISSUES

- Board governance
- Director elections
- Executive remuneration
- Share placement

Switzerland

KEY VOTE ISSUES

- Board member discharge
- Director election
- Executive remuneration
- Share allotment

South Africa

KEY VOTE ISSUES

- Executive remuneration
- Capital structure
- Employee share option plans
- Non-executive director elections and re-elections

4.0 Votes at a glance

Geographic scope

The 2013 Global Proxy Review report includes key votes submitted by project partners in Australia, Canada, the Netherlands, Spain, South Africa, Switzerland, the United Kingdom and the United States of America.

Sectors

The selected votes occurred at companies in 15 economic sectors.[13] More than one key vote fell into the following sectors: Banks & Financial Services; Oil & Gas, Media, Health Care, Food & Beverages, Telecommunications, and Utilities. Among other sectors covered in the Report are the following: Retail, Technology, Construction & Materials, Travel & Leisure, and Personal & Household Goods.

Key issues and themes

Although the Global Proxy Review is not a representative survey of proxy voting, some interesting trends can be noted in the votes selected by partners for the report. Mirroring general patterns on the substantive content addressed at company AGMs, the table below underlines the saliency of corporate governance issues for the key votes included this report:

Issue	Frequency (%)
Executive remuneration[14]	30%
Director election	17.5%
Discharge of board directors and executives from liability	12.5%
Auditor election	5%
Director independence	5%
Others	30%

In 2013, one year after the 'shareholder spring', executive remuneration remains atop the issues addressed in the key votes selected by project partners. Shareholders voiced displeasure by voting against excessive termination entitlements, retention awards, and one-off share awards to CEO's along with executive compensation plans ('say-on-pay'). Of the countries included in this report, 'say-on-pay' votes are required in the Netherlands and the UK where the result is binding, and in Spain, the USA and South Africa, where the result is advisory. Australian 'say-on-pay' votes are partially binding, and the result may trigger special board elections. In Switzerland, binding 'say-on-pay' votes to be held on an annual basis will become mandatory in 2015 at the latest, following the approval of an initiative by Swiss voters. Advisory 'say-on-pay' votes are increasingly held voluntarily in Canada.

The selected votes also show that a strict division between environmental, social and corporate governance is tricky at best. For example, to express concerns about labour practices at UK-based National Express, in light of allegations of anti-union behaviour, shareholders called for a vote against the reports of the Directors and the financial statements. Thus, some shareholders voiced their displeasure on a social issue by voting on an item related to corporate governance.

Governance and structural factors make it relatively rare for a majority of shareholders to vote against management. For example, the distribution of shares may be such that a significant proportion of share capital is not 'independent' (such as executives holding significant share capital) from the corporation.

However, the key votes described in this report demonstrate that investors have different channels to use proxy voting effectively as a tool to seek change. Shareholders may be vocal about their opposition of certain measures ahead of proxy voting and obtain commitments by management in a desire to avoid embarrassing voting results. In three of the key votes identified in the report, management chose to address shareholder concerns prior to holding the vote. Alternatively, when management does not engage with shareholders over their concerns ahead of the proxy vote, shareholders may voice their dissatisfaction by voting against management proposals. Indeed, shareholders defeated management proposals in five of the key votes selected, and a majority withheld their votes in one case. As a result, management was defeated or reacted to shareholder concerns prior to voting in 8 out of 40 votes.

Often, shareholders seeking change hope for a vote result significant enough to capture management's attention and motivate dialogue following the vote. More than half (52.5%) of the key votes presented in the current Global Proxy Review are votes that opposed management and that received more than 25% shareholder support.

Finally, differences in regulation, pension systems, the size of funds and the culture of corporate 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. Comparing these differences and their effects on responsible investment issues is beyond the scope of this report, but warrants further study.

5.0 Key votes in 2013

5.1 AUSTRALIA

CWC partner: Australian Council of Superannuation Investors (ACSI)

ACSI represents 39 profit-for-members superannuation (pension) funds collectively managing over $350 billion in investments on behalf of over 6 million Australian superannuation fund members. ACSI's membership also includes four major international pension funds.

ACSI works to assist its members in the management of environmental, social and corporate governance (ESG) risks in the entities in which they invest.

ACSI's work includes providing research, advocacy, proxy-voting services and engaging directly with the boards of S&P/ASX200 companies to influence change.

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

ACSI selected key votes at these Australian companies:

- Bank of Queensland
- Cochlear Limited
- DUET Group
- News Corporation[15]
- Southern Cross Media Group

Key votes overview

The key votes chosen aim to provide a snapshot of the diverse range of issues in the Australian market specifically:

1. a shareholder led vote to split the chair and CEO roles – News Corporation;
2. the re-election of three directors – Southern Cross Media Group;
3. a 'say on pay' vote – Cochlear Limited;
4. approval to pay termination benefits – DUET Group; and
5. approval of a share placement – Bank of Queensland

The first two of these key votes are best summarised in the individual vote section below. An overview of the context of the final three resolutions is presented.

Say on pay in Australia

The Australian market has had a 'say-on-pay' regime since 2005 through a non-binding vote on executive compensation.

In 2011, a 'two strikes' rule was introduced. Broadly, the rule says that if a company receives a 25 percent or more vote against its executive pay plan for two consecutive years, it must put up a board spill resolution. The board spill resolution gives shareholders the opportunity to convene a meeting where every director must stand for re-election (otherwise Australian directors typically stand for re-election every 3 years in scattered terms).

In practice, Australian investors have experienced far greater engagement and willingness to improve pay practices as a result of the 'two strikes' rule. The key vote below gives an example of one such company that got a 'first strike' and decided to make meaningful improvements as a result.

Termination payments in Australia

Australia has had a statutory limit on termination payments (or golden parachutes) since 2009 following some excessive market practices. The rule is that termination payments must not exceed the equivalent of the relevant executive's annual fixed salary unless shareholder approval is sought. Many Australian investors generally oppose payments beyond this limit unless the link to shareholder value is made clear. The key vote below gives an example of a company seeking such approval.

Private placements in Australia

For companies listed on the Australian Securities Exchange (ASX) there is a limit to the number of shares that may be issued without offering them equally (pro-rata) to all shareholders. These non-pro rata equity issues – known in Australia as placements – must be limited to 15 per cent of shares on issue per year. Companies can seek pre-approval or subsequent approval to exempt a placement from the cap.

The key vote described below was one such situation. Many Australian investors oppose the overuse of placements in situations where a pro-rata share issue would be feasible. This is because placements dilute the ownership of existing shareholders who are often not given the opportunity to participate and because new share issues are often priced at a discount to the prevailing price.

BANK OF QUEENSLAND

Company profile	
Sector	Financial Services
Number of employees	1,450[16]
Net income in 2012	$17 million (AUD)
Annual revenue in 2012	$403 million (AUD)

Proposal	Management proposal: Ratification of the placement of shares
Partner recommendation	Oppose
Rationale for recommendation	In Australia, companies that raise equity capital without offering it proportionally to all existing shareholders can only issue up to 15% of the shares on issue every 12 months. To reset their limit they can seek to ratify past share issues. Bank of Queensland's proposal sought to ratify a placement of around A$150m made in March 2012. The placement involved the issue of discounted shares to a select group of current shareholders and also to some new investors without the opportunity for all current shareholders to participate. Australian investors recognise that equity capital raisings have the potential to dilute the investments of shareholders. Companies should endeavour to raise new equity capital in such a way that all existing shareholders have an opportunity to maintain their interest, or be compensated for the dilution of their interest.
Voting results	Proposal passed. Against: 19%.
Explanation of results	This was not a favourable result. One issue is that formally, any votes lodged by participants in the placements must be excluded. However, the way that exclusions are practically applied may mean that large parcels of votes – both for and against – can be excluded, masking the actual level of investor support. In this case, only 8% of votes were counted for this proposal, compared to around 47% for other proposals at the same meeting.

COCHLEAR LIMITED

Company profile	
Sector	Health Care
Number of employees	2,390
Net income in 2012	$132 million (AUD)
Annual revenue in 2012	$779 million (AUD)

Proposal	Management proposal: Approve a grant of options to the CEO
Partner recommendation	Oppose
Rationale for recommendation	This was a grant of options to the CEO of hearing implant manufacturer Cochlear as part of his long term incentive. The vesting of the grant was subject to the company achieving average growth in earnings per share (EPS) of at least 10% p.a. for three years. During the year Cochlear suffered a large product recall which meant that profit and EPS were adversely impacted. Since the EPS growth hurdle was starting from a low initial EPS value it was made much easier to achieve. Essentially, the CEO would receive his full entitlement by returning profit to normal levels in three years. This was at odds with Australian investor expectations that incentive payments are subject to sufficiently demanding and stretching hurdles. This vote highlights the effects of material items in incentive calculations and how without prudent board oversight they can give management windfall gains.
Voting results	Proposal passed. Against: 33%.
Explanation of results	While the proposal passed, the board acknowledged the shareholder dissent and committed to improving their practices and justifying the reasons for their grants. It appears that improvements will be made at Cochlear to oversight of these issues.

DUET GROUP

Company profile	
Sector	Utilities
Number of employees	183[17]
Net income in 2012	$47 million (AUD)
Annual revenue in 2012	$1,220 million (AUD)

Proposal	Management proposal: Approval of termination entitlements for CEO and CFO
Partner recommendation	Oppose
Rationale for recommendation	Under Australian law, companies must seek shareholder approval to pay termination payments to senior executives beyond a limit equivalent to their annual fixed salary. In this case, the company was seeking pre-approval to pay termination benefits including not only equivalent to their annual fixed salary, but also bonuses and long term incentive payments for that year. These bonus and long term incentive entitlements would be payable regardless of whether the executives had performed well prior to termination. In fact, it appeared that they were payable even if the executives were terminated due to poor performance. Australian investors generally do not accept termination entitlements to be beyond the limit equivalent to their annual fixed salary. This is especially the case when the additional payments will be made regardless of performance. This was a key vote because it highlights the operation of the shareholder vote on termination payments which was introduced in Australia in 2009.
Voting results	Withdrawn
Explanation of results	This was a favourable result. The company specifically noted that it withdrew the proposal amid the opposing proxy votes lodged prior to the meeting and its unlikely approval. This was the only case in 2012 of a major Australian company seeking approval and the proposal being withdrawn due to investor dissent.

NEWS CORPORATION[18]

Company profile	
Sector	Media
Number of employees	48,000
Net income in 2012	$1,179 million (AUD)
Annual revenue in 2012	$33,706 million (AUD)

Proposal	Shareholder proposal: Adopt as a policy that the board chairperson be an independent director
Partner recommendation	Support
Rationale for recommendation	This was a proposal put forward by three institutional shareholders to split the roles of chair and CEO at News Corporation, then held by Rupert Murdoch. Australian investors generally consider that combining the roles of chairperson with CEO or executive director positions creates an unacceptable concentration of power and diminishes the degree of accountability that would usually result from a separation of the two roles. In News Corporation's case the concentration of power was further amplified because the Murdoch family was the controlling shareholder and Rupert Murdoch has been a director for 33 years. This was an important vote because of the non-controlling shareholder support for the proposal.
Voting results	Proposal did not pass. For: 31%.
Explanation of results	Although the proposal failed, the results demonstrated the level of support for splitting the two roles. Excluding the Murdoch family and associates, around 80% of shareholders supported the proposal. On 24 May 2013 the company announced the split of the CEO and chairman roles at 'new News Corp,' one of the entities created as part of a split of the company.

SOUTHERN CROSS MEDIA GROUP

Company profile	
Sector	Media
Number of employees	1,000–5,000[19]
Net income in 2012	$95 million (AUD)
Annual revenue in 2012	$687 million (AUD)

Proposal	Management proposal: Re-election of three directors
Partner recommendation	Oppose
Rationale for recommendation	The three directors in question were affiliated with 25% shareholder Macquarie Group, which previously also externally managed the company. In total, four of the seven directors were affiliated – either through being appointees, consultants or employees – with Macquarie Group. As such the board was not majority independent. Australian investor expectations are for boards to be composed of a majority of independent directors. This key vote demonstrates that at some Australian companies, particularly those with substantial shareholders, issues around board independence remain. The high votes against the proposal also demonstrates Australian investor dissatisfaction with these arrangements.
Voting results	Proposals passed. The directors received total votes against of 43%, 39% and 29%.
Explanation of results	While these directors were successfully re-elected, they recorded amongst the highest votes against their re-election among major Australian companies. If the votes of Macquarie Group had been excluded, two of these directors would have been voted from the board – an extremely unusual occurrence in Australia and a strong indicator of institutional investor dissatisfaction with boards lacking independence.

5.2 CANADA

CWC Partner: The 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 Montreal
- Barrick Gold Corporation
- BCE Inc.
- Canadian Natural Resources
- RioCan Real Estate Investment Trust

Key votes overview

The issues SHARE selected for inclusion in this year's Global Proxy Review appeared on the ballots of companies that we believe are likely to be held in the portfolio of our partners outside of Canada.

Three of the issues in our selection are related directly to executives' pay and a fourth is indirectly related. Executive remuneration continues to be an important issue for institutional shareholders of Canadian companies. Executive remuneration is commonly seen as being excessive relative to the performance of the companies executives oversee, and in relation to median income in Canada. In addition, remuneration plans may be poorly designed by relying too heavily on stock options or by including inappropriate participants, such as non-executive directors or short-term contractors.

BANK OF MONTREAL

Company profile	
Sector	Financial Services
Number of employees	46,580
Net income in 2012	$4,115 million (CAD)
Annual revenue in 2012	$15,365 million (CAD)

Proposal	Shareholder proposal: Cap CEO compensation at 30 times average employee salary
Partner recommendation	Support
Rationale for recommendation	A large disparity between the compensation of executives and workers can have a material effect on the bank by lowering employee morale and productivity. At a broader level, the concentration of more wealth in fewer hands is leading to economic and political problems in Canada and many other countries. This proposal is one step toward addressing that larger disparity.
Voting results	Proposal did not pass. For: 2.67%.
Explanation of results	This result was disappointing but not surprising. Proposals to place limits on executive compensation are still quite controversial in Canada. However, SHARE believes that pay disparity is an important issue that will continue to appear in shareholders' engagement with companies in the future.

BARRICK GOLD CORPORATION

Company profile	
Sector	Basic Resources
Number of employees	28,155
Net income in 2012	($665 million) (USD), *Loss*
Annual revenue in 2012	$14,547 million (USD)

Proposal	Management proposal: Advisory resolution on executive compensation approach
Partner recommendation	Oppose
Rationale for recommendation	Barrick's executive compensation is too high given the company's poor performance. It had a net loss last year, but paid its named executive officers a total of $56.8 million. Most of those executives were new in their positions and received hiring bonuses; several of these were over $10 million. The former CEO, who was there for only 6 months, also received over $10 million in compensation. Too much of the executives' pay is not based on performance, which will be detrimental to the company and its stakeholders in the long run if it continues.
Voting results	Proposal did not pass. Against: 85.2%.
Explanation of results	This is a remarkably high vote against a vote on executive compensation/ remuneration. Votes against executive compensation at North American companies are typically about 5% to 10% of the total vote. In this case, Barrick had brought in John L. Thornton to serve with Barrick's founder, Peter Munk, as executive co-chairs of the board. Thornton had been the president of Goldman Sachs, and Barrick paid him Goldman Sachs-like fees; in the 2012/13 fiscal year, he was paid $17 million, including a $12 million hiring bonus. Thornton promised to invest that bonus in Barrick's shares, which he did. Nonetheless, this is an unusually large sum for a board's chair to be paid, even an executive chair. Also, Barrick's executive compensation was quite high relative to the company's performance. The five highest-paid executives received a total of $56.8 million for the past fiscal year, but the company had a net loss of $677 million. Only half of executives' long-term incentive bonuses are based on any measure of performance. Since that bonus is the largest portion of executives' pay, the lack of performance requirements for half of that bonus may help explain the disconnect between the executives' pay and Barrick's performance.

BCE INCORPORATED

Company profile	
Sector	Telecommunications
Number of employees	55,500
Net income in 2012	$2,763 million (CAD)
Annual revenue in 2012	$19,975 million (CAD)

Proposal	Management proposal: Appointment of Deloitte LLP as auditors
Partner recommendation	Oppose
Rationale for recommendation	Deloitte has been BCE's auditor since 1983. Keeping the same accounting firm as auditor for more than 10 years increases the risk of compromising the independence of their annual audit.
Voting results	Proposal passed. Against: 3.22%.
Explanation of results	This is not a large vote against the proposal in absolute terms. However, votes against auditors at Canadian companies are typically less than 1%. Thus, this is a fairly high vote against Deloitte. Companies that use the same accounting firm to conduct their audits for long periods of time run the risk of developing a close relationship with that auditor that can compromise the independence of their annual audit. SHARE prefers that companies change external audit firms every six to ten years.

CANADIAN NATURAL RESOURCES LTD.

Company profile	
Sector	Oil & Gas
Number of employees	5,970
Net income in 2012	$1,892 million (CAD)
Annual revenue in 2012	$14,589 million (CAD)

Proposal	Management proposal: Approve all unallocated stock options pursuant to the amended, compiled and restated employee stock option plan
Partner recommendation	Oppose
Rationale for recommendation	Consultants and other non-employee service providers are included as participants in this employee stock option plan. Share-based compensation is intended to motivate employees to improve shareholder value over the long term. However consultants and other services providers, whose work for the company is short-term, have no reason to be motivated to improve long term shareholder value.
Voting results	Proposal passed. Against: 22.17%.
Explanation of results	The percentage of votes against this proposal is higher than typical votes on remuneration at Canadian companies. The stock option plan at issue makes up most of this company's executive long-term incentive bonuses. In addition to including inappropriate participants, SHARE believes the company is relying too heavily on stock options in its executives' remuneration. Stock options reward their holders for increases in share price, regardless of the reasons for that increase. And share price can increase without the company performing well. Thus, options can create an incentive for executives to pursue courses of action that increase the share price without necessarily improving the company's long-term profitability.

RIOCAN REAL ESTATE INVESTMENT TRUST

Company profile	
Sector	Real Estate
Number of employees	673
Net income in 2012	$1,344 million (CAD)
Annual revenue in 2012	$1,128 million (CAD)

Proposal	Management proposal: Re-elect Clare R. Copeland as a director
Partner recommendation	Oppose
Rationale for recommendation	Mr. Copeland is the CEO of PostMedia Network, and sits on the compensation committee of RioCan Real Estate Investment Trust. Directors who are executive officers themselves may have conflicts of interest in setting the pay of other chief executives, and thus are not suitable to be members of compensation committees.
Voting results	Proposal passed. Against: 47.34%.
Explanation of results	This is a remarkably high vote against a director. Typically, votes on directors of Canadian companies are 99% to 95% in favour of the director and it is unusual for votes against a director to be higher than 5%. In addition to Mr. Copeland's potential conflicts of interest as a corporate executive officer serving on the board's compensation committee, the high vote against him may be a protest against RioCan's executive remuneration. The company does not give shareholders' an annual vote on its executive remuneration plan.

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 extra information to consider when deciding about their voting behaviour.

Eumedion selected key votes at these Dutch companies:

- BinckBank
- D.E Master Blenders 1753
- Heineken
- KPN
- Royal Imtech

Key votes overview

Eumedion chose five key votes for which it sent out corporate governance alerts in 2013. The first vote presented relates to a proposal intended to diminish the rights of shareholders. Such a proposal is the 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 and delisting of a number of large and middle-sized Dutch companies (the number of listed companies decreased from 169 in 2000 to 101 in 2013). 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 and 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. Since this year, listed companies are allowed to increase the threshold to 3% of the share capital. For such a decision to occur, the articles of association need amendment. This requires a decision at the general meeting of shareholders.

Three out of the five votes selected are on proposals related to granting discharge to members of the Executive and Supervisory Board. Adopting such proposals at the AGM means – under Dutch law – that the company renounces any actual or potential claims against the Board. In recent years, shareholders have regularly used this voting item to send a clear signal that they are not satisfied with the policy pursued by the Executive Board and/or the supervision exercised by the Supervisory Board.

One of the other votes selected relates to the proposal to grant the CEO a retention bonus and to award an acquisition bonus to all members of the Executive Board. Especially since 2008 shareholders have become more critical on the structure of executive remuneration policies and on granting extraordinary bonuses to executives.

BINCKBANK

Company profile	
Sector	Financial Services
Number of employees	590
Net income in 2012	€24 million
Annual revenue in 2012	€189 million

Proposal	Management proposal: Amendment of Articles of Association
Partner recommendation	Consider major negative aspects of corporate governance issues when voting
Rationale for recommendation	The company proposed to increase the threshold for submitting shareholder resolutions from 1% of the issued capital to 3% of the issued capital. If the proposal passed, minority shareholders would have diminished possibilities to table resolutions for the agenda of any future BinckBank AGM because of the higher thresholds.
Voting results	Proposal did not pass. Against: 40%. Approval of a proposed amendment of the Articles of Association of BinckBank requires a 2/3 vote majority.
Explanation of results	Shareholders are not in favour of limiting their rights.

D.E MASTER BLENDERS 1753

Company profile	
Sector	Food & Beverage
Number of employees	7,619
Net income in 2012	€132 million
Annual revenue in 2012	€2,795 million

Proposal	Management proposal: Discharge the current Board members from liability
Partner recommendation	Consider major negative aspects of corporate governance issues when voting
Rationale for recommendation	In March 2013 the company convened an extraordinary general meeting (EGM) in order to ask shareholder approval for a special remuneration package for the new CEO ad interim. The company's Board wished to provide the new CEO only performance related share compensation. He would not receive base pay, bonus or pension benefits and would receive compensation only if the company achieves at least median level of total shareholder return of the defined peer group. The Board proposed to offer the CEO a share award with an annualised grant value of € 4,000,000. The EGM was however cancelled as a result of an intended offer for all company shares, one week before the EGM was to be held. Therefore, there was no approval for the special remuneration package for the CEO. A number of months later, it appeared that the CEO would receive a maximum cash payment of € 5,697,350 as soon as possible after the settlement date. This is exactly the maximum amount that he could receive under the share award proposed for the EGM (that was cancelled). It seems that the company tried to circumvent shareholder approval of the CEO's special remuneration package by i) making it a cash payment rather than share compensation and ii) making it subject to the condition that the offer is declared unconditional. It can be questioned whether this is in line with good corporate governance.
Voting results	Proposal passed. For: between 90-97%.
Explanation of results	The vote was probably influenced by the rather favourable offer price for the company. The offer price per share represented a premium of 30% to the closing price prior to the announcement of the bid and a premium of almost 37% to the average closing price per share for the three month period prior to the announcement date. The offer valued the company at approximately 16.2 times the Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and 26.5 times the earnings.

HEINEKEN N.V.

Company profile	
Sector	Food & Beverage
Number of employees	85,000
Net income in 2012	€2,949 million
Annual revenue in 2012	€18,383 million

Proposal	Management proposal: Extraordinary (acquisition) share award for the Executive Board and retention share award for the CEO
Partner recommendation	Consider major negative aspects of corporate governance issues when voting
Rationale for recommendation	The granting of 1) the extraordinary ('acquisition') shares for the successful acquisition of Asia Pacific Breweries (APB) in 2012 (not dependent on further performance targets) and 2) of the retention shares is not dependent on performance targets specified beforehand. i) This is not in line with the Dutch corporate governance code and also not in line with international best practices. Besides this, acquisition opportunities should be part of the regular activities of an Executive Board. They should therefore not be awarded separately. The granting should at least be conditional upon a successful integration of the acquisition. This condition can only be reviewed after a number of years. In the recent past, we have seen numerous examples of acquisitions that destroyed company's market value in due course. ii) In the Dutch market, it is not common practice to use retention awards to retain executives. According to the Dutch corporate governance code reappointment of members of the Executive Board is the common situation if the executives function adequately. Also, Heineken's long term incentive plan already contains retention objectives.
Voting results	Proposal passed. For: 80%.
Explanation of results	Approximately 75% of the 'independent' share capital represented at the shareholders meeting voted against both awards and the proposals were only formally approved by the shareholders meeting due to the support of major shareholders Heineken Holding (holding 50.005% of the Heineken shares) and FEMSA (12.53%), both of which are also represented at the Heineken Supervisory Board.

KPN

Company profile	
Sector	Telecommunications
Number of employees	26,156
Net income in 2012	€691 million
Annual revenue in 2012	€12,409 million

Proposal	Management proposal: Discharge the members of the Executive and Supervisory Board from liability
Partner recommendation	Consider major negative aspects of corporate governance issues when voting
Rationale for recommendation	1. The Boards pursued a faltering (supervisory) policy in response to América Móvil's (AMX) partial offer for KPN shares in 2012. Just after current major shareholder AMX launched its partial bid in April 2012, the company tried to divest its Belgian and German activities, which was not in line with KPN's strategy at that time. The divestments did not succeed. In its 21 June 2012 position document, the Boards also stated that the AMX offer price of €8.00 was "opportunistic" and would undervalue KPN. On March 25, 2013 KPN's share price was €2.80. The Boards recommended the KPN shareholders in June 2012 not to take any action regarding the AMX partial offer. However, with the announcement of AMX to declare the partial offer unconditional it became clear that approx. 65% of the KPN shares were tendered or sold to AMX. The KPN Boards lost their connection with the KPN shareholders. 2. Too little consideration was given to succession issues within the Supervisory Board. 3. Too little consideration was given to the prudence and soundness of KPN's financial policy between 2007 and 2011, as a consequence of which dividend payments were cancelled and KPN had to launch a €3 billion rights issue in the 2013 European Spring. The Executive Board, under supervision of the Supervisory Board, is responsible for a prudent financial policy.
Voting results	Proposal passed. For: 72%.
Explanation of results	Approximately 71% of the 'independent' share capital represented at the shareholders meeting voted against the discharge proposals. The proposals were only formally approved at the shareholders meeting due to the support of major shareholder América Móvil (holding 29.8% of the KPN shares), who is also represented at the KPN Supervisory Board.

ROYAL IMTECH

Company profile	
Sector	Technology
Number of employees	30,180
Net income in 2012	(€233 million), *Loss*
Annual revenue in 2012	€5,414 million

Proposal	Management proposal: Discharge the members of the Supervisory Board from liability
Partner recommendation	Consider major negative aspects of corporate governance issues when voting
Rationale for recommendation	In early 2013 Royal Imtech became aware of possible irregularities with a large project in Poland. The key issue was fraudulent management in Poland and Germany. However, it also became clear that Imtech's business controls were not sufficient and had not worked adequately, that the development of risk management did not stay on an equal footing with the size and complexity of the organisation, and that the corporate culture was suboptimal and focused too much on good news. This was enforced by the objectives of Imtech's executive remuneration policy: revenue and profit growth. Although under Dutch corporate governance rules the Executive Board is responsible for the adequacy and effectiveness of the internal risk management and control procedures and for the quality and completeness of publicly disclosed financial reports, the Supervisory Board's role is, among other things, to ensure that the Executive Board fulfills this responsibility. Moreover, the Supervisory Board should ensure that the executive remuneration policy prevents excessive risk taking by the members of the Executive Board. From an independent investigations report regarding the irregularities at Imtech (published in June 2013), it became clear that the Supervisory Board had not fulfilled these tasks appropriately.
Voting results	The proposal was withdrawn (see below).
Explanation of results	Three days before the AGM the proposal was withdrawn, accompanied by the following statement (published on the company's website): "after further consideration, the (former) members of the Supervisory Board have decided not to request discharge."

5.4 SOUTH AFRICA

CWC Partner: Government Employees Pension Fund (GEPF)

The GEPF is Africa's largest pension fund with approximately 1.3 million active members and 360 000 pensioners and beneficiaries. We have more than ZAR 1.2 trillion ($120bn) in assets under management and are the single largest investor in Johannesburg Stock Exchange (JSE)-listed companies. Our core business is to manage and administer pensions and other benefits for government employees in South Africa.

Our mission is to:

- Ensure timely and efficient delivery of the benefits provided in the rules, and protect pensions against inflation to the maximum extent possible, while maintaining the Fund's financial soundness;
- Invest responsibly by engaging with organisations in which we invest to encourage good governance, social equity and sound environmental practices;
- Empower our members, pensioners and other stakeholders through adequate communication; and
- Champion retirement industry initiatives

GEPF selected key votes at these South African listed companies:

- Avusa
- British American Tobacco[20]
- Exxaro Resources Ltd
- Investec
- Standard Bank

Key votes overview

All the votes provided as examples by GEPF were votes of a governance nature linked to deteriorating operational performance, excessive remuneration, or remuneration policies that were not linked to the long term strategy and performance of the company. Some votes related to capital structuring, mergers & acquisitions and turnaround strategies which led to poor performance emanating from poor corporate governance practices.

We also found poor director attendance of board and board committee meetings in some instances and exercised our right to vote against directors that attended less than 75% of all board and committee meetings.

AVUSA

Company profile	
Sector	Media
Number of employees	5,072
Net income in 2012	169 million (ZAR)
Annual revenue in 2012	5,963 million (ZAR)

Proposal	Management proposal: Approval of scheme of arrangement in terms of Section 114 of the (South African) Companies Act[21]
Partner recommendation	Oppose
Rationale for recommendation	The company has not given the current turnaround strategy a fair chance for implementation. The proposed transaction would have resulted in a debt of ZAR950m, resulting in an increase in gearing. There was a possible conflict of interest where a particular executive within the Company had direct personal interests as a shareholder in one of the group companies as part of the transaction.Furthermore, GEPF did not support the creation of the holding Company's new structure as per the proposed Scheme of Arrangement. GEPF voted against the proposed Scheme of Arrangement, namely the intention by Mvelaphanda Group Limited to make an offer, through its wholly owned subsidiary Times Media Group Limited (formerly Richtrau No. 229 Proprietary Limited) (TMG), to acquire the entire issued and to be issued ordinary share capital of Avusa that it does not already beneficially own by way of a scheme of arrangement in terms of section 114 of the Companies Act, 71 of 2008 (the Companies Act) between Avusa and its shareholders ("the Scheme").
Voting results	Proposal passed.
Explanation of results	Scheme participants holding in excess of 78.5% of the ordinary shares of Avusa voted in favour of the proposal.

BRITISH AMERICAN TOBACCO

Company profile	
Sector	Personal & Household Goods
Number of employees	87,485
Net income in 2012	£4,122 million
Annual revenue in 2012	£15,190 million

Proposal	Management proposal: Renewal of the Directors authority to allot shares
Partner recommendation	Oppose
Rationale for recommendation	The GEPF is opposed in principle to any such proposed resolution, and would instead recommend that a company provides a fully motivated special resolution at the time the directors wish to issue new shares.
Voting results	All resolutions passed
Explanation of results	–

EXXARO RESOURCES LIMITED

Company profile	
Sector	Basic Resources
Number of employees	7,721
Net income in 2012	9,647 million (ZAR)
Annual revenue in 2012	12,229 million (ZAR)

Proposal	Management proposal: Re-election of directors
Partner recommendation	Oppose
Rationale for recommendation	Voted against a specific non-executive director due to poor board and board committee attendance. For the previous three years, the particular director had not been consistent in attending board meetings, particularly special board meetings. The resolution allowed for vote on individual directors.
Voting results	All proposals passed
Explanation of results	–

INVESTEC

Company profile	
Sector	Financial Services
Number of employees	7,286
Net income in 2012	£248 million
Annual revenue in 2012	£1,584 million

Proposal	Management proposal: To approve the dual listed companies remuneration report for the year ended 31 March 2012.
Partner recommendation	Oppose
Rationale for recommendation	GEPF voted against the remuneration policy at the AGM in light of the deteriorating operational performance and bad acquisitions. The executives got increasing pay packages and excessive bonuses while the Company has experienced stagnating profits and poor performance results since 2007. Even though the executives forfeited their annual bonuses for the year ended 31 March 2012, the GEPF felt it was not enough to support resolutions at this stage. Another concern was that this Company has also been benchmarking its remuneration policies and practices against international peer companies in the financial sector even though it generates 70% of its profits within South Africa.
Voting results	Proposal passed. For: 72%; against 27.6%; abstain 0.4%.
Explanation of results	–

STANDARD BANK

Company profile	
Sector	Financial Services
Number of employees	49,017
Net income in 2012	16,146 million (ZAR)
Annual revenue in 2012	68,707 million (ZAR)

Proposal	Management proposal: Approval of scheme of arrangement in terms of Section 114 of the (South African) Companies Act
Partner recommendation	Oppose
Rationale for recommendation	The GEPF view was that the company has not given the current turnaround strategy a fair chance for implementation.
Voting results	Proposal passed
Explanation of results	–

5.5 SPAIN

CWC Partner: Confederación Sindical de Comisiones Obreras (CCOO), Unión General de Trabajadores (UGT)

CCOO and UGT are the two largest trade unions in Spain. They are democratic, working class organizations joined voluntarily in solidarity to defend the collective interest of workers, pensioners, the unemployed, immigrants, and youth. They have presence in all sectors of activity and in all Spanish communities.

CCOO/UGT selected key votes at these Spanish companies:

- Banco Santander S.A.
- BBVA, S.A.
- Ferrovial, S.A.
- Gas Natural SDG, S.A.
- Telefónica S.A.

Key votes overview

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

In the case of independent directors, UGT and CCOO take into account recommendations 13 (presence of at least 33% of independent directors on the Board of Directors), 29 (maximum 12-year tenure for independent directors; this recommendation will be mandatory beginning in 2014), and the definition of independent director in the Spanish Code of Corporate Governance.

In the case analysed, the independent director proposed for re-election has been a director of Banco Santander from 1972 to 1999 and since 2001 of Banco Banif (also part of the Santander Group). The Unified Code on Corporate Governance (2006; due for revision) mentions that former employees or former executive directors of a company cannot be independent directors until at least three or five years, respectively, of the cessation of that relationship.

In the case of the advisory vote on the Annual Report on Directors' Remuneration, CCOO and UGT chose the highest total remuneration received by a board of directors and the two 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 has been the auditor of the company for 22 years. Keeping the same accounting firm as auditor for more than 10 years increases the risk of compromising the independence of their annual audit.

BANCO SANTANDER, S.A.

Company profile	
Sector	Financial Services
Number of employees	188,789
Net income in 2012	€2,967 million
Annual revenue in 2012	€44,553 million

Proposal	Management proposal: Re-elect to the board of directors Ángel Jado Becerro de Bengoa (independent director)
Partner recommendation	Oppose
Rationale for recommendation	This director has been a director of Banco Santander from 1972 to 1999 and since 2001 of Banco Banif (also part of the Santander Group). In our opinion, for these reasons, this director cannot be considered independent.
Voting results	Proposal passed. For: 96.31%; Against: 2.09%; abstain: 1.55%
Explanation of results	–

BBVA

Company profile	
Sector	Financial Services
Number of employees	113,924
Net income in 2012	€2,327 million
Annual revenue in 2012	€22,441 million

Proposal	Management proposal: Advisory vote on the annual reports on directors´ compensation ('say-on-pay')
Partner recommendation	Oppose
Rationale for recommendation	The current retirement commitment of the two executive directors amounts to €96 million. BBVA stopped reporting on this item with the departure of the former CEO Chairman, as BBVA mentioned in the last two Annual General Meetings: In 2009, the Board of Directors determined the pension rights that belong to the President of the Board, when reaching the age of 65, and had established his pension rights in the amount of €79,774,560 (externalized as an insurance policy; €72,546,963 were charged to income in prior years). The provisions recorded on December 31, 2012 to meet the pension commitments of the CEO, amounted to €22,703,000, of which €1,701,000 have been provided against results in the year 2012, in accordance with the application of accounting regulations, and €4,307,000 in equity for the adequacy of the interest rate hypothesis used in the valuation of pension commitments in Spain. This sum is excessive (€6,008,000). In general, all remunerations are quite high. The average remuneration of directors is above the industry average and the Ibex 35. The remuneration of independent directors is clearly excessive and may compromise their independence (two directors earn more than €400,000; 7 more than €300,000 and 2 more than €250,000).
Voting results	Proposal passed. Against: 3.42%; for: 96.46%; abstain: 0.12%.
Explanation of results	–

FERROVIAL

Company profile	
Sector	Construction & Materials
Number of employees	55,159
Net income in 2012	€710 million
Annual revenue in 2012	€7,686 million

Proposal	Management proposal: Advisory vote on the annual reports on directors´ compensation ('say-on-pay').
Partner recommendation	Oppose
Rationale for recommendation	The remuneration of the former executive director Joaquín García Ayuso is excessive: €8,100,000 (redundancy compensation) + €143,644.03 (for being member of the board) + €2,113,056 (fixed remuneration + variable remuneration + for being member of other boards + share options) = €10,213,056. The redundancy compensation is clearly excessive, though Ferrovial mentions in the report that it is in line with the Workers´ Statute. The remuneration of the other executive directors is also significant – €2.8 million and €3.4million – and exceeds the average of the sector and the Ibex 35. They are also entitled to significant option and shares schemes which are not linked to ESG criteria.
Voting results	Proposal passed. For: 89.79%; against: 10.11%; abstain: 0.09%.
Explanation of results	The board of directors holds 45.27% of the voting rights.

GAS NATURAL FENOSA

Company profile	
Sector	Utilities
Number of employees	19,959
Net income in 2012	€1,657 million
Annual revenue in 2012	€24,904 million

Proposal	Management proposal: Re-election of the firm to audit the accounts of Gas Natural SDG, S.A. and its consolidated group in 2012
Partner recommendation	Oppose
Rationale for recommendation	The Audit Company has been Gas Natural´s auditor for 22 years. Keeping the same accounting firm as auditor for more than 10 years increases the risk of compromising the independence of their annual audit.
Voting results	Proposal passed. For: 99.45%; against: 0.50%; abstain: 0.05%.
Explanation of results	–

TELEFÓNICA

Company profile	
Sector	Telecommunications
Number of employees	272,598
Net income in 2012	€4,403 million
Annual revenue in 2012	€62,356 million

Proposal	Management proposal: Annual report on director remuneration policy ('say-on-pay')
Partner recommendation	Oppose
Rationale for recommendation	This compensation plan was the most excessive plan observed throughout the 2013 shareholder campaign: the remuneration of Julio Linares López (former COO of Telefónica): €5,966,275 (short-term variable remuneration) + €25,159,663 (redundancy compensation) = €32,814,154 (total). The performance share plan ("PSP") and performance investment plan ("PIP") overlap each other. The PIP will replace the PSP; the PSP has five cycles of three years (from 2010 to 2013) and the PIP has three cycles of three years (from 2012 to 2015). Redundancy compensation (for executive directors and some managers) consists of three years of salary plus one, according to seniority in the company (salary of one year = last fixed salary + arithmetic mean of the sum of the last two variable payments). However, in some cases, this could be worse, according to what the company mentions in the report. Remuneration of the President: €2,500,800 (salary) + €90,000 (Board Committees) + €3,493,433 (variable remuneration) + €264,899 (other items) = **€6,349,132 (Total 2012)** + theoretical shares first and second cycle PIP cycle + €1,023,193 (pension plan contributions) + €45,917 (payment in kind). The remunerations of the independent directors are often clearly excessive and may affect their independence within the board: 4 directors received over €300,000. The aggregate remuneration for the board amounts to €50.5 million, being the largest sum in year 2012.
Voting results	Proposal passed narrowly. Against: 36.76%; for: 54.07%; abstain: 9.17%.
Explanation of results	The results show that a significant percentage of the company's shareholders are against the remuneration policy of the Board of Telefónica.

5.6 SWITZERLAND

CWC Partner: Ethos

The Ethos Foundation is composed of more than 140 Swiss pension funds and non-profit organisations. Ethos was founded in 1997 and aims at promoting socially responsible investment as well as a stable and prosperous socio-economic environment.

The Foundation owns the company Ethos Services SA which conducts asset management and advisory mandates in the field of socially responsible investment (SRI). Ethos Services offers institutional investors a wide range of SRI-funds. The company also provides analyses of general meeting agendas including voting recommendations, a shareholder engagement programme, as well as sustainability and corporate governance ratings and analyses of listed companies.

The Ethos Foundation is signatory of the Principles for Responsible Investment of the United Nations (UN PRI) 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).

To allow private individuals to benefit of and take part in the activities of Ethos, the Foundation launched the association Ethos Académie in 2012. This non-profit 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.

Ethos selected key votes at these Swiss companies:

- Credit Suisse
- Nestlé
- Novartis
- Transocean
- UBS

Key votes overview

Discharge (Novartis and UBS): This is one of a shareholder's inalienable rights and is conventionally included as an agenda item at AGMs. It constitutes a formal assurance that no legal proceedings shall be instituted against the discharged body for its conduct of business. Discharge is only valid for facts revealed at the moment it is granted and exempts the discharged members from prosecution by the company for gross negligence. Ethos considers that serious failures in respect of governance, social or environmental matters also justify opposing the discharge.

'Say-on-pay' (Nestlé): In Switzerland, shareholders currently have no legal right to vote on the remuneration of directors and executive management. In 2013, approx. 50% of the Swiss listed companies proactively submitted their remuneration report to an advisory vote. However, the legal context is rapidly evolving as Swiss citizens accepted the popular initiative "against rip-off salaries" in March 2013. The implementation of the initiative will significantly enhance shareholder rights, in particular with regard to executive remuneration. The new regime should however not be enforced before 2014 or 2015.

Shareholder proposal (Transocean): In Switzerland, shareholder proposals remain very uncommon, as opposed to other European countries or the US. According to Swiss Law, shareholders owning 10% of the capital or CHF 1 million nominal may request that an item be included in the agenda. Companies may however amend their articles of association to include a lower threshold. At Transocean, one share is sufficient.

Share Capital (Credit Suisse): Under Swiss law, in addition to their issued capital, companies can create pools of authorised[22] and/or conditional[23] capital. The amount requested cannot exceed the legal maximum of 50% of issued capital for each pool. According to Swiss law, the creation of authorised or conditional capital requires a 2/3 majority of the shares represented.

For conditional capital aiming at covering the share/option plans for employees, as is the case at Credit Suisse, Ethos' aggregate limit for equity grants is 1% per year. Ethos also analyses the remuneration plans (in terms of transparency and structure) covered by the conditional capital.

CREDIT SUISSE

Company profile	
Sector	Financial Services
Number of employees	47,400
Net income in 2012[24]	1,350 million (CHF)
Annual revenue in 2012	23,970 million (CHF)

Proposal	Management proposal: Create a Pool of Conditional Capital for the Employees
Partner recommendation	Oppose
Rationale for recommendation	Under this item, an increase in the conditional capital reserved for the unvested shares granted to employees in the previous years was requested by the board. This authorisation allows the board to issue up to 30 million new shares (1.93% of the share capital) without pre-emptive rights upon the vesting of the shares granted to employees. At Credit Suisse, the total number of shares granted to employees in early 2013 for the performance year 2012 already represents 4% of the share capital, which largely exceeds Ethos' limit of 1% per year for all employees. Furthermore, the requested conditional share capital covers equity grants made out of variable remuneration plans that Ethos does not support (reward for short-term performance without individual caps). Therefore, Ethos opposed the proposal.
Voting results	Proposal passed. For: 75%.
Explanation of results	Since two-thirds affirmative votes are required to create a pool of conditional capital, 75% is a particularly low result. This low score shows that many investors are unwilling to accept excessive dilution due to share-based remuneration.

NESTLÉ

Company profile	
Sector	Food & Beverage
Number of employees	339,000
Net income in 2012	10,610 million (CHF)
Annual revenue in 2012	92,190 million (CHF)

Proposal	Management proposal: Advisory vote on the remuneration report
Partner recommendation	Oppose
Rationale for recommendation	Ethos opposed the remuneration report at Nestlé despite several positive changes introduced to the remuneration system. In fact, Ethos considers that the company's overall transparency should be further improved, in particular with regard to ex-post explanation of the variable remuneration paid, and that the on-target variable remuneration of the company CEO (3 times his base salary) should be reduced. Furthermore, Ethos notes that the remuneration level of the company chairman (CHF 8 million) is too high for a non-executive chairman and taking into account his other assignments in listed and non-listed companies (vice chairman of Credit Suisse and board member of Exxon Mobil).
Voting results	Proposal passed. For: 88%.
Explanation of results	Despite the above-mentioned improvements of the remuneration system, the overall opposition of shareholders slightly increased compared to last year (approval rate in 2012: 90%). This shows that shareholders are becoming more critical towards the remuneration of governing bodies. In Nestlé's case, the amounts paid to the chairman of the board and the members of the management remain at a high level. In addition, the reduction of the potential variable remuneration of the management was compensated by an increase in the base salary.

NOVARTIS

Company profile	
Sector	Health Care
Number of employees	127,724
Net income in 2012	$9,505 million (USD)
Annual revenue in 2012	$56,673 million (USD)

Proposal	Management proposal: Discharge Board Members and Executive Management
Partner recommendation	Initial vote: oppose. Final vote: support
Rationale for recommendation	After the publication of the company's annual report, the press released new information regarding the departing chairman's non-compete contract. This contract included a non-compete clause stipulating that the departing chairman, Mr. Vasella, could receive remuneration of up to CHF 72 million for a 6-year period in order not to work for a competitor of the company and remain available for advisory services. As a result of Mr. Vasella's excessive non-compete clause, Ethos opposed the discharge. However, a few days before the general meeting, Novartis announced that the board of directors and Mr. Vasella agreed to cancel this non-compete agreement and all related conditional remuneration. Given these positive changes, Ethos finally voted for the discharge.
Voting results	Proposal passed. For: 93%.
Explanation of results	Given that the company addressed shareholder concerns by cancelling Mr. Vasella's non-compete agreement, most of the shareholders voted for the discharge.

TRANSOCEAN

Company profile	
Sector	Oil & Gas
Number of employees	18,400
Net income in 2012	($219 million) (USD), *Loss*
Annual revenue in 2012	$9,196 million (USD)

Proposal	Shareholder proposal: Election of three directors: Messrs Lipinski, Alapont and Merksamer
Partner recommendation	Support for all three nominees
Rationale for recommendation	At Transocean's general meeting, the company's capital allocation strategy over the past years and the current governance of Transocean were criticised by the Icahn Group (shareholder of Transocean since the Macondo well disaster in 2010), controlled by the American activist shareholder Carl Icahn. As a result, the Icahn Group proposed, among others, the election of 3 of its representatives to the board (Messrs. Lipinski, Alapont and Merksamer). For its part, the board proposed the re-election of four of its current members and the election of a new director. After having heard both parties' arguments, Ethos voted FOR the election of all Icahn representatives. In fact, in light of Transocean's consistent underperformance compared to peers over several years, the Macondo disaster in 2010 and the Frade field incident in Brazil in 2011, Ethos also believes that the 3 proposed directors could challenge the board and bring new ideas and competencies.
Voting results	The plurality voting system being imposed by the articles of association of Transocean in case of contested elections, the five candidates who received the most votes were (re-)elected. Finally, only one representative of the Icahn Group (Mr. Merksamer) was elected to the board, while current chairman Mr. Talbert has been ousted as he received insufficient votes for re-election.
Explanation of results	Proxy advisors Glass Lewis and ISS both recommended to vote for the election of Mr. Merksamer. Glass Lewis however recommended to oppose the re-election of the two other candidates proposed by Ichan, while ISS recommended to oppose the election of one of Icahn's candidate (Mr. Lipinski).

UBS

Company profile	
Sector	Financial Services
Number of employees	62,628
Net income in 2012	(2,510 million) (CHF), *Loss*
Annual revenue in 2012	25,440 million (CHF)

Proposal	Management proposal: Discharge Board Members and Executive Management
Partner recommendation	Oppose
Rationale for recommendation	In 2012, UBS was found guilty of actively participating in the manipulation of the London Interbank Offered Rate (LIBOR) rate during several years and agreed to pay CHF 1.4 billion in fines. While the LIBOR manipulation took place before 2012, facts were revealed during the year under review. Therefore, Ethos opposed the discharge for the financial year 2012.
Voting results	Proposal passed. For: 90%.
Explanation of results	The discharge received much stronger support than anticipated. In fact, some shareholders might have considered that, as the LIBOR manipulation occurred in previous years, the discharge for the financial year 2012 should not take into account these facts. However, Ethos considers it fulfilled its fiduciary duties towards shareholders since, under Swiss law, the discharge is granted with regard to facts that were revealed during the year under review, rather that facts that occurred in the period.

5.7 UNITED KINGDOM

CWC Partner: The Trades Union Congress (TUC) and the Pension Investment Research Consultants (PIRC)

The TUC is the UK's national trade union centre, representing more than 6 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.

The 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 the PIRC selected key votes at these UK companies:

- Afren
- Bumi
- Glencore-Xstrata
- National Express
- Randgold Resources

Key votes overview

The votes selected this year reflect a variety of issues: labour practices, executive remuneration, the conduct of the board in a merger proposal and financial and other irregularities.

In two cases the resolution selected was to receive the annual report. In one case, that of labour practices at National Express, this was because there was no other vote taking place at the AGM that could be used to address these issues. In the case of Bumi, the annual report was itself the subject of concern as there was a black hole in the company's accounts and the audit report stated that the group accounts did not give a true and fair view.

The TUC and PIRC have had long-running concerns about the scale and structure of executive pay at UK companies. In 2012, the so-called 'shareholder spring' saw a total of six remuneration reports defeated at company AGMs. However, this year only one remuneration report has been defeated to date, at Afren. This is included as one of our selection.

AFREN

Company profile	
Sector	Oil & Gas
Number of employees	460
Net income in 2012	£203 million
Annual revenue in 2012	£1,498 million

Proposal	Management proposal: To approve the Directors Remuneration Report
Partner recommendation	Oppose
Rationale for recommendation	There are long-running concerns with remuneration at this company, including a defeat on its remuneration report in 2011. The continued use of a share option scheme to recruit or retain executives has been one issue of concern, particularly when used to compensate recruits for the loss of potential rewards from their previous employer.
Voting results	Proposal did not pass. Against: 73%; abstentions: 8%.
Explanation of results	A heavy defeat for the company, and one of the largest ever recorded by a UK-listed company.

BUMI

Company profile	
Sector	Basic Resources
Number of employees	800
Net income in 2012	($2,323 million) (USD), *Loss*
Annual revenue in 2012	$1,531 million

Proposal	Management proposal: Receive the annual report
Partner recommendation	Oppose
Rationale for recommendation	Bumi has been the subject of a battle between current and former directors and shareholders. It has also faced allegations of financial irregularities, and the company's shares were suspended from trading for almost two months this summer. At the time of the AGM a 'black hole' of $201 million was reported, which the audited accounts describe as "expenses without business purpose". The accounts also set out examples of related party transactions which were as yet unresolved by the company, and the audit report on the group accounts was qualified on the grounds that the accounts did not give a true and fair view, due to uncertainty about losses in the associate, BT Bumi Resources Tbk. In light of this TUC and PIRC recommended opposing the annual report.
Voting results	Proposal passed. Against: 33%; abstentions: 4%.
Explanation of results	Although the resolution passed, this was one of the largest recorded votes against a company's annual report.

GLENCORE-XSTRATA

Company profile	
Sector	Basic Resources
Number of employees	61,000
Net income in 2012	£1,004 million
Annual revenue in 2012	£214,436 million

Proposal	Management proposal: Re-/Elect Sir John Bond, subject to the merger with Xstrata PLC becoming effective
Partner recommendation	Oppose
Rationale for recommendation	Concern over the way that the Glencore-Xstrata merger was handled and how this was linked to retention payments for executives. Many held Sir John Bond, as chair of Xstrata, responsible for this.
Voting results	Proposal did not pass. Against: 72%; abstentions: 11%.
Explanation of results	Sir John Band, along with a number of other board directors, was forced off the board. The scale of his defeat looks to have been the largest in the FTSE100.

NATIONAL EXPRESS

Company profile	
Sector	Travel & Leisure
Number of employees	42,000
Net income in 2012	£60 million
Annual revenue in 2012	£1,831 million

Proposal	Management proposal: To receive the reports of the Directors and the financial statements
Partner recommendation	Oppose
Rationale for recommendation	Ahead of the AGM a group of investors including the Local Authority Pension Fund Forum, Trade Union Share Owners and the Teamsters called for improved oversight and reporting of employment issues at the company. This was in light of allegations of anti-union behaviour in its US school bus business, Durham School Services. In lieu of these changes, the investors called for a vote against the company's report and accounts.
Voting results	Proposal passed. Against: 3.6%; abstentions: 1.7%.
Explanation of results	The results indicate that most investors supported the company, although the vote against, and abstentions on, the report and accounts were higher than typical of resolutions of this kind. There is likely to be further shareholder engagement around this issue.

RANDGOLD RESOURCES

Company profile	
Sector	Basic Resources
Number of employees	2,048
Net income in 2012	£432 million
Annual revenue in 2012	£1,321 million

Proposal	Management proposal: CEO Award of Shares
Partner recommendation	Oppose
Rationale for recommendation	The company proposed a one-off US$4 million award of performance-related 'career' shares to the CEO in recognition of "exceptional results and leadership". The TUC and PIRC oppose one-off awards of this type, and the scale in this case was excessive in the extreme.
Voting results	Proposal passed. Against: 38.5%; abstentions: 1.5%.
Explanation of results	Although the resolution passed, there was a significant vote against, showing evidence of growing shareholder willingness to challenge such awards.

5.8 UNITED STATES OF AMERICA

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

The American Federation of Labor and Congress of Industrial Organizations is the umbrella federation for U.S. unions, with 57 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.

The AFL-CIO selected key votes at these U.S. companies:

- Cablevision Systems
- Halliburton
- Peabody Energy
- SLM Corporation
- Wal-Mart Stores

Key votes overview

The AFL-CIO identified five votes on the 2013 proxy ballots of U.S. companies that address many of the issues that have been of great concern to shareholders in the United States. Four of the votes are shareholder proposals that aimed to improve governance practices and increase transparency. The fifth vote is a director election where directors were re-elected to the board under the company's plurality vote system despite the fact that a majority of shareholders had withheld support.

The shareholder proposal at SLM Corporation, the corporate parent of the student loan company Sallie Mae, seeks disclosure of company lobbying procedures and expenditures. This proposal complements shareholder efforts to require disclosure of corporate political spending after the U.S. Supreme Court's "Citizen's United" decision struck down campaign contribution limits.

At Wal-Mart Stores, a shareholder proposal requests disclosure of when the company has recouped compensation from senior executives. Executive pay claw-backs are important to hold executives accountable for wrongdoing. Disclosure of when such claw-backs occur will allow shareholders to better evaluate the risks to which their company may be exposed.

A shareholder proposal at Halliburton, the oil and natural gas services provider, requests that the company inform shareholders of its process for identifying human rights risks in its operations or that of its suppliers. Companies with operations around the world are especially vulnerable to being connected directly or indirectly with human rights abuses that can harm their reputations.

At the coal company Peabody Energy, a shareholder resolution urges the Board of Directors to appoint an independent director as its chair. The positions of CEO and chairman of the board of directors are still held by the same person at 60% of large public companies in the United States. Establishing an independent board chair enhances the independence and objectivity of the board.

At the cable television company Cablevision Systems, shareholders voted against directors to express their disapproval of the company's poor performance and excessive executive compensation practices. However, under the company's plurality vote system for elections, its directors are re-elected to the board even if they do not receive support from a majority of shareholders.

CABLEVISION SYSTEMS

Company profile	
Sector	Media
Number of employees	16,433
Net income in 2012	$234 million (USD)
Annual revenue in 2012	$6,700 million (USD)

Proposal	Management proposal: Re-electing director Vincente Tese
Partner recommendation	Withhold
Rationale for recommendation	Cablevision Systems has several poor governance practices that effectively disenfranchise the company's public shareholders. Through the company's dual class stock structure, the Dolan family controls 73 percent of the voting power while owning less than one quarter of the shares. Public shareholders elect five of the seventeen directors. But, because there is no majority vote requirement, directors who receive a majority of 'withhold' votes are permitted to continue in their positions. Finally, the board has not established a formal nominating committee, so the Board of Directors effectively serves as its own nominating committee. A majority of public shareholders withheld support from certain directors in recent years because of a perceived disconnect between executive pay and company performance. The compensation committee's chairman, Vincent Tese, stands out as especially deserving of a withhold vote.
Voting results	Proposal passed. For: 45%
Explanation of results	This vote shows the need for majority vote director election policies. Despite having received a majority of 'withhold' votes in two of the past three elections before the 2013 election, Vincent Tese continues to serve as a director at Cablevision and chairman of its compensation committee.

HALLIBURTON

Company profile	
Sector	Oil & Gas
Number of employees	73,000
Net income in 2012	$2,635 million (USD)
Annual revenue in 2012	$28,500 million (USD)

Proposal	Shareholder proposal: Request for a report on human rights related risks and practices
Partner recommendation	Support
Rationale for recommendation	This shareholder proposal at Halliburton urges the Board of Directors to prepare a report for shareholders on the company's process for identifying potential and actual human rights risks in its operations as well as in the operations of its suppliers. The requested report should address the human rights principles used to make the assessment, the frequency and methodology of the assessment and a description of how the results are incorporated into the company's policies and decision making. Halliburton provides products and services to oil and natural gas companies, including national or state-owned oil companies, in approximately eighty countries. It engages in business in countries such as Nigeria, Myanmar, Azerbaijan, China and Russia where human rights abuses have occurred. Shareholders have a high level of concern that the company may become embroiled in human rights controversies. The requested report will enable shareholders to evaluate the full risks associated with the company's operations in unstable regions of the world where human rights abuses are more common.
Voting results	Proposal did not pass. For: 31%
Explanation of results	Although this proposal did not pass, it received a high level of support. This result demonstrates that many shareholders recognize that human rights abuses are material risks. Shareholders are not content with knowing that their company has adopted a set of human rights principles. They also want to see how these principles are enacted by the company.

PEABODY ENERGY

Company profile	
Sector	Basic Resources
Number of employees	8,200
Net income in 2012	($576 million) (USD), *Loss*
Annual revenue in 2012	$8,100 million (USD)

Proposal	Shareholder proposal: Adopt an Independent Chair Policy
Partner recommendation	Support
Rationale for recommendation	The proposal urges Peabody Energy's Board of Directors to adopt a policy that requires its Chair to be an independent member of the board. The company's current Chair, Gregory Boyce, is also its Chief Executive Officer and is therefore not independent. He has held both positions since 2007. 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 that 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 fulfill its duties may be hindered. Moreover, academic studies have found that an independent chair improves the financial performance of public companies. Peabody Energy shares have underperformed relative to shares in similar companies in recent years, losing almost 50 percent of their value since Gregory Boyce assumed both roles in October 2007. Yet during this period Mr. Boyce made $48 million. These facts indicate why independent board leadership has the potential to be particularly constructive at this company.
Voting results	Proposal did not pass. For: 43%
Explanation of results	Independent chair proposals usually receive strong shareholder support, though only a few generally pass each year. In 2013, the average vote on these proposals was 31% with three of the 44 proposals crossing the 50% support level. The high level of support for this proposal at Peabody Energy indicates that shareholders are growing frustrated with the company.

SLM CORPORATION

Company profile	
Sector	Financial Services
Number of employees	6,800
Net income in 2012	$939 million (USD)
Annual revenue in 2012	$6,100 million (USD)

Proposal	Shareholder proposal: Report on Lobbying Payments and Policy
Partner recommendation	Support
Rationale for recommendation	This shareholder proposal at SLM Corporation, parent of Sallie Mae that is the leading private student loan provider in the United States, requests that the Board of Directors prepare a report annually that fully discloses the company's lobbying policies and expenditures. The requested report should disclose payments made by the company for both direct, indirect and grassroots lobbying, including payments made to trade associations and to organizations that write model legislation. Existing publicly available data does not provide a complete picture of the company's lobbying expenditures. Without disclosure, shareholders are unable to assess whether the company's lobbying policies, procedures and expenditures are aligned with the company's interests. Through the requested report, shareholders will be made aware of lobbying activity that may expose the company to reputational and other risks.
Voting results	Proposal did not pass. For: 28%
Explanation of results	Though this proposal did not pass, it received a high level of support. Increasingly, shareholders want companies to be transparent in how they engage in the political process. Only through such transparency can shareholders be assured that the company's resources are being used to further the interests of the company and shareholders.

WAL-MART STORES

Company profile	
Sector	Retail
Number of employees	2.2 million
Net income in 2012	$17,000 million (USD)
Annual revenue in 2012	$469,000 million (USD)

Proposal	Shareholder proposal: Pay Claw-back Disclosure Policy
Partner recommendation	Support
Rationale for recommendation	This shareholder proposal asked Wal-Mart's Board of Directors to adopt a policy to disclose annually whether the company recouped any compensation from senior executives because the executive breached company policy or engaged in conduct harmful to the company. The requested policy also requires that the general circumstances of the recoupment would be described. Laws such as the Sarbanes-Oxley Act and the Dodd-Frank Act have mandated that companies have claw-back policies in place but they do not mandate such disclosure to shareholders. This proposal is especially relevant at Wal-Mart because the company has conducted an internal investigation into potential violations of the Foreign Corrupt Practices Act by company executives in Mexico who allegedly made bribes to expedite the opening of new stores. The requested policy requires the company to inform shareholders if compensation is recouped from senior executives in connection with wrongdoing. Without this information, shareholders would not know the extent of the reputational and financial risks to which the company has been exposed.
Voting results	Proposal did not pass. For: 15%
Explanation of results	The proposal received about 30% support from shareholders when the Walton family's nearly 50% ownership stake is excluded. This represents a significant level of support because this was the first time such a claw-back disclosure proposal has come to a vote at a U.S. company.

6.0 Trustee 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 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	How Did Your Fund Manager Vote?	Notes
Bank of Queensland. Management proposal: Ratification of the placement of shares	Oppose	Passed: 19% against		
Cochlear Ltd. Management proposal: Re-election of three directors	Oppose	Passed: 33% against		
Duet Group. Management proposal: Approval of termination entitlements for CEO and CFO	Oppose	Withdrawn		
News Corporation. Shareholder proposal: Adopt as a policy that the board chairperson be an independent director	Support	Did not pass: 31% support		
Southern Cross Media Group. Management proposal: Re-election of three directors	Oppose	Passed: 29% to 43% against		

CANADA

Vote	CWC Partner Recommendation	Results	How Did Your Fund Manager Vote?	Notes
Bank of Montreal. Shareholder proposal: Cap CEO compensation at 30 times average employee salary	Support	Did not pass: 2.67% in favour		
Barrick Gold Corporation. Management proposal: Advisory resolution on executive compensation approach	Oppose	Did not pass: 85.2% against		
BCE Incorporated. Management proposal: Appointment of Deloitte LLP as auditors	Oppose	Passed: 3.22% against		
Canadian Natural Resources Ltd. Management proposal: Approve all unallocated stock options pursuant to the amended, compiled and restated employee stock option plan	Oppose	Passed: 22.17% against		
RioCan Real Estate Investment Trust. Management proposal: Re-elect Clare R. Copeland as a director	Oppose	Passed: 47.34% against		

THE NETHERLANDS

Vote	CWC Partner Recommendation	Results	How Did Your Fund Manager Vote?	Notes
BinckBank. Management proposal: Amendment of Articles of Association	Consider major negative aspects corporate governance issues when voting	Did not pass: 40% against (required 2/3 majority)		
D.E Master Blenders 1753. Management proposal: Discharge the current Board members from liability	Consider major negative aspects corporate governance issues when voting	Passed: between 90-97% in favour		
Heineken N.V. Management proposal: Extraordinary (acquisition) share award Executive Board and retention share award for the CEO	Consider major negative aspects corporate governance issues when voting	Passed: 80% in favour		
KPN. Management proposal: Discharge the members of the Executive and Supervisory Board from liability	Consider major negative aspects corporate governance issues when voting	Passed: 72% in favour		
Royal Imtech. Management proposal: Discharge the members of the Supervisory Board from liability	Consider major negative aspects corporate governance issues when voting	Withdrawn		

SOUTH AFRICA

Vote	CWC Partner Recommendation	Results	How Did Your Fund Manager Vote?	Notes
Avusa. Management proposal: Approval of scheme of arrangement in terms of Section 114 of the (South African) Companies Act.	Oppose	Proposal passed		
British American Tobacco. Management proposal: Renewal of the Directors authority to allot shares	Oppose	All proposals passed		
Exxaro Resources Ltd. Management proposal: Re-election of directors	Oppose	All proposals passed		
Investec. Management proposal: To approve the dual listed companies remuneration report for the year ended 31 March 2012.	Oppose	Passed: 72% in favour		
Standard Bank. Management proposal: Approval of scheme of arrangement in terms of Section 114 of the (South African) Companies Act.	Oppose	Passed		

SPAIN

Vote	CWC Partner Recommendation	Results	How Did Your Fund Manager Vote?	Notes
Banco Santander S.A. Management proposal: Re-elect to the board of directors Ángel Jado Becerro de Bengoa (independent director)	Oppose	Passed: 2.09% against		
BBVA, S.A. Management proposal: Advisory vote on the annual reports on directors´ compensation (say-on-pay)	Oppose	Passed: 3.42% against		
Ferrovial, S.A. Management proposal: Advisory vote on the annual reports on directors´ compensation (say-on-pay)	Oppose	Passed: 10.11% against		
Gas Natural SDG, S.A. Management proposal: Re-election of the firm to audit the accounts of Gas Natural SDG, S.A. and its consolidated group in 2012	Oppose	Passed: 99.45% in favour		
Telefónica S.A. Management proposal: Annual report on director remuneration policy (say-on-pay)	Oppose	Passed: 36.76% against		

SWITZERLAND

Vote	CWC Partner Recommendation	Results	How Did Your Fund Manager Vote?	Notes
Credit Suisse. Management proposal: Create a Pool of Conditional Capital for the Employees	Oppose	Passed: 75% in favour		
Nestlé. Management proposal: Advisory vote on the remuneration report (say-on-pay)	Oppose	Passed: 88% in favour		
Novartis. Management proposal: Discharge Board Members and Executive Management	Support	Passed: 93% in favour		
Transocean. Shareholder proposal: Election of three directors: Messrs Lipinski, Alapont and Merksamer	Support	1 out of 3 directors elected		
UBS. Management proposal: Discharge Board Members and Executive Management	Oppose	Passed: 90% in favour		

UNITED KINGDOM

Vote	CWC Partner Recommendation	Results	How Did Your Fund Manager Vote?	Notes
Afren. Management proposal: To approve the Directors Remuneration Report	Oppose	Did not pass: 73% against		
Bumi. Management proposal: Receive the annual report (financial irregularities)	Oppose	Passed: 33% against		
Glencore-Xstrata. Management proposal: Re-/Elect Sir John Bond, subject to the merger with Xstrata plc becoming effective	Oppose	Did not pass: 72% against		
National Express. Management proposal: To receive the reports of the Directors and the financial statements (labour practices)	Oppose	Passed: 3.6% against		
Randglod Resources. Management proposal: CEO Award of Shares	Oppose	Passed: 38.5% against		

UNITED STATES

Vote	CWC Partner Recommendation	Results	How Did Your Fund Manager Vote?	Notes
Cablevision Systems. Management proposal: Director election -Vincente Tese	Withhold	Passed: 45% for / 55% withheld		
Halliburton. Shareholder proposal: Report on human rights	Support	Did not pass: 31% in favour		
Peabody Energy. Shareholder proposal: Independent chair	Support	Did not pass: 43% in favour		
SLM Corporation. Shareholder proposal: Report on Lobbying Payments and Policy	Support	Did not pass: 28% in favour		
Wal-Mart Stores. Shareholder proposal: Pay clawback disclosure policy	Support	Did not pass: 15% 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 Endnotes

[1] Unless otherwise noted, financial information was retrieved from www.businessweek.com

[2] OECD. 2005. *Private Pensions: OECD Classification and Glossary*.

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

[4] Beier Sorensen, Ole and Stephanie Pfeifer. 2011. *Climate Change Issues in Fund Investment Practices*. International Social Security Review. Vol. 64, Issue 4.

[5] Johnson, Keith. 2011. *Reclaiming Forgotten Fiduciary Duty Fundamentals*. Public Consultation Draft. Available from the Network for Sustainable Financial Markets, http://www.sustainablefinancialmarkets.net.

[6] Beier Sorensen and Pfeifer. 2011.

[7] Ibid.; UNEP FI. 2009. *Fiduciary Responsibility: Legal and Practical Aspects of Integrating Environmental, Social and Governance Issues into Institutional Investment*. A report by the Asset Management Working Group of the United Nations Environment Programme Finance Initiative, a follow up to the AMWG's 2005 'Freshfields Report'. Available from http://www.unpri.org/publications. For a comprehensive literature review, see: Deutsche Bank Group. 2012. Sustainable Investing: Establishing Long-Term Value and Performance. A green paper by DB Climate Change Advisors. Available from: https://www.dbadvisors.com/content/_media/Sustainable_Investing_2012.pdf

[8] UNEP FI. 2009.

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

[10] As You Sow. 2013. *Understanding Shareholder Votes, under Corporate Social Responsibility*. Available from http://www.asyousow.org/csr/understandingvote.shtml; Interfaith Centre on Corporate Responsibility. 2008. The Importance of Voting Your Proxy Ballot. Available from http://www.iccr.org/publications/examiner_pastarticles/corpexaminer_proxyvote.php

[11] As You Sow. 2013. Proxy Review 2013. Available from http://www.asyousow.org/publications

[12] For example: AFL-CIO Office of Investment. 2012. *AFL-CIO Key Votes Survey: 2012 Proxy Season Investment Manager Scorecards*, available from www.aflcio.org/proxyvotes; Shareholder Association for Research and Education. 2012. Key Proxy Vote Survey, available from www.share.ca; Trade Union Congress. 2012. TUC Fund Manager Voting Survey 2012, available from www.tuc.org.uk.

[13] Global Proxy Review 2013 uses the Industry Classification Benchmark System's supersector 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

[14] Includes votes, on executive compensation plans, issuance of retention share awards, granting of options and termination entitlements for executives, and compensation caps.

[15] Newscorp is a US domiciled company with a major secondary listing in Australia

[16] No exact figures on employee count are reported. Estimate is taken from Ibis World: http://www.ibisworld.com.au/enterprisefull/default.aspx?entid=694, Accessed August 19, 2013

[17] No exact figures on employee count are reported. Estimate is taken from Google Finance. Available from: https://www.google.ca/finance?cid=696166, Accessed August 19, 2013

[18] Changed its name to Twenty-First Century Fox, Inc. in June 2013

[19] No exact figures on employee count are reported. Estimate is taken from the company's Linked In Page. Available from: http://www.linkedin.com/company/18135?trk=cws-btn-overview-0-0. Accessed August 19, 2013

[20] British American Tobacco is a UK domiciled company with a major secondary listing in South Africa

[21] Section 114(1) states that "Unless it is in liquidation, or in the course of business rescue proceedings in terms of Chapter 6, the board of a company, may propose and, subject to approval in terms of this Part, implement any arrangement between the company and holders of any class of its securities, including a reorganisation of the share capital of the company by way of, among other things—

(a) a consolidation of securities of different classes;

(b) a division of securities into different classes;

(c) an expropriation of securities from the holders;

(d) exchanging any of its securities for other securities;

(e) a re-acquisition by the company of its securities; or

(f) a combination of the methods contemplated in this subsection".

The company must retain an independent expert, to compile a report as required and must be qualified. The person must not have any other relationship with the company or with a proponent of the arrangement, such as would lead a reasonable and informed third party to conclude that the integrity, impartiality or objectivity of that person is compromised by that relationship, Have had any relationship within the immediately preceding two years; or be a related to the persons.

[22] Authorized capital: According to Swiss law (CO Art. 651), to avoid convening an extraordinary general meeting every time that a capital increase is needed, the board of directors can ask the general meeting for the right to create a pool of authorised capital, which allows the board to proceed to successive capital issuances during a period of no more than two years. Pre-emptive rights can be waived in case the capital is used for specific reasons, such as to purchase a company or a stake in a company.

[23] 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.

[24] For Swiss companies, net Income refers to the income attributable to shareholders (without minority interests)

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