



## **Suffolk CC Pension Fund**

### **PROXY VOTING REVIEW OPPOSE VOTES**

PERIOD 1<sup>st</sup> October 2014 TO 31<sup>st</sup> December 2014

# 1 Oppose/Abstain Votes With Analysis

## BHP BILLITON GROUP (GBR) AGM - 23-10-2014

### 1. *Receive the Annual Report*

Strategic Report meets guidelines. Adequate environmental and employment policies are in place and quantifiable environmental reporting is disclosed.

There is no vote relating to the final dividend paid during the year. In August 2014 the Board declared a final dividend of 62 US cents per share. A statement is made that Company articles permit dividend payment in any manner or by any means determined by the Board. However the lack of opportunity to approve the dividend is a concern. The vote by shareholders on the dividend, on unqualified accounts, discharges the duties of the directors in tandem with the legal responsibilities of the auditors, and reaffirms the necessity of reliably audited accounts for financial governance to function properly. Consequently, an oppose vote is recommended.

Vote Recommendation: *Oppose*

Results: For: 98.1, Abstain: 1.1, Oppose/Withhold: 0.8,

### 7. *Approve Remuneration Policy*

Remuneration at the Company remains wholly excessive, with potential aggregate awards of 728% of base salary in exceptional circumstances and 640% in normal circumstances.

Other concerns persist with regard to the design of pay policy. The 2009 LTIP relies on the use of discretion to avoid payout for absolute negative returns to shareholders. Since its inception the use of discretion has only been applied once, to reduce the overall level of vesting, which is welcomed. The Long Term Incentive scheme uses only one performance condition, TSR. It is considered that long-term incentive schemes should apply at least two performance criteria concurrently, one of which against a named comparator group. The performance period is over five years which is considered best practice and the vesting scale is sufficiently broad.

Contracts are one year rolling with termination provisions of 12 months salary plus retirement benefits. Adequate malus and clawback provisions are in place on the Annual bonus. However, discretion is relied upon to mitigate payout from one-off sign-on awards. It is considered that such awards distort the market for executive talent and undermine the attract and retain principles that inform BHP's pay policy.

Rating: BDC

Based on this rating it is recommended that Suffolk oppose.

Vote Recommendation: *Oppose*

Results: For: 96.2, Abstain: 1.0, Oppose/Withhold: 2.8,

### 8. *Approve the Remuneration Report*

Variable remuneration in the current year is excessive as it represent 340% of base salary. Face value of 2014 and 2015 LTIP awards are approximately US\$6.8m. There are further concerns over the rules of the scheme under which former CEO, Mr Kloppers, is allowed to retain unvested performance awards after he has left the company. It is not clear what benefit shareholders get from allowing Mr Kloppers to retain incentive awards when he is no longer in a position to affect the performance during the period over which performance is measured to determine the payout. Similarly, remuneration paid to Mr. Kloppers in 2013 has not been disclosed in the 'Single total figure of remuneration' table, which is deemed a significant omission. There were no major changes in policy during the year under review. Implementation rating: D

Based on this rating it is recommended that Suffolk oppose.

Vote Recommendation: *Oppose*

Results: For: 97.8, Abstain: 0.4, Oppose/Withhold: 1.8,

### 9. *Approve the Remuneration Report*

Item 9 is an ordinary resolution required under Australian law and is an advisory vote. For Australian law purposes, the Remuneration Report for the year ended 30 June 2014 comprises the whole of section 4 of the Annual Report. As a result, the analysis and three letter rating of Item 7 is applicable.

Rating: BDC

Based on this rating it is recommended that Suffolk oppose.

Vote Recommendation: *Oppose*

Results: For: 97.6, Abstain: 0.4, Oppose/Withhold: 2.0,

#### 10. *Approval of leaving entitlements*

Shareholder approval is being sought for the purposes of sections 200B and 200E of the Australian Corporations Act for any 'termination benefits' that may be provided to a member of the Group Management Committee [(GMC) (including the CEO)] under the relevant employment agreement; Long Term Incentive Plan (LTIP); Group Incentive Scheme (GIS) BHP Billiton Group Global Employee Share Plan (Shareplus); and defined contribution plans and defined benefit plans (Retirement Plans). It is noted that these are not new benefits and are the same as described in the remuneration report over the years. The Company has the authority to accelerate vesting and/or may decided not to pro-rate, which is against best practice.

Vote Recommendation: *Oppose*

Results: For: 97.5, Abstain: 0.4, Oppose/Withhold: 2.0,

#### 11. *Approval of grants to Executive Director*

The Board is seeking shareholder approval for the purposes of ASX Listing Rule 10.14 for the for the acquisition of securities under the Group's STIP and LTIP by the Chief Executive Officer (CEO).

The maximum value of the STIP award will be US\$1,568,080. This maximum value has been determined based on deferral of 50 per cent of Mr Mackenzie's maximum STI amount of US\$3,136,160 for performance during FY2014. In addition, the Board has approved an LTIP award with a face value equal to 400 per cent of Mr Mackenzie's annual base salary (i.e. US\$1,700,000 x 400 per cent = US\$6,800,000). The LTIP Rules limit the maximum award to an Expected Value (or fair value) of two times base salary based on the fair value factor.

Performance is measured by ranking the Company's TSR against 50 largest companies ranked by market capitalisation listed on the Australian Securities Exchange, excluding listed property trusts and mining companies.

The use of a single performance criteria is not best practice, particularly since relative performance is outside of the control of the executive. At less than three deciles between the lower and upper performance levels, the vesting scale is not considered sufficiently broad. Furthermore, the size of the grant is potentially excessive, particularly when combined with the annual short term incentives. Based on these concerns, it is recommended that Suffolk oppose.

Vote Recommendation: *Oppose*

Results: For: 96.0, Abstain: 1.0, Oppose/Withhold: 3.0,

#### 25. *To elect Ian Dunlop*

Nominated for Non-Executive Director by shareholders representing 0.06 per cent of the issued share capital of BHP Billiton.

The Board does not support Mr Dunlop's nomination.

This is the second consecutive year that Mr Dunlop has stood for election.

There is insufficient evidence of his experience in running large listed companies of extractive industries and therefore his election can not be supported despite some relevant experience in carbon risk matters.

However, in light of the public position of BHP Billiton in the last 12 months regarding both climate risk and carbon pricing issues, which raises questions over the board's collective capability to assess the potential risks to shareholder value of political and economic change in these key areas, an ABSTAIN vote is recommended.

Vote Recommendation: *Abstain*

Results: For: 2.2, Abstain: 2.9, Oppose/Withhold: 94.9,

## HAYS PLC AGM - 12-11-2014

### 2. Approve Remuneration Policy

Disclosure is acceptable. However, we would welcome further disclosure of TSR performance targets for the Performance Share Plan (PSP) awards made during the year.

The variable element of CEO pay is considered potentially excessive as it can amount up to 325% of his salary. The ratio CEO pay to average employee pay is also not considered adequate. The PSP performance metrics are not operating interdependently and its performance period is three years, without a further holding period, which is not considered sufficiently long-term.

The CEO's contract allows him to receive a sum in lieu of notice that equates to his salary, benefits and also his on-target bonus pro-rated for time, which is deemed inadequate. It is considered that all contracts, including those agreed prior 27 June 2012, should be in line with Company's policy. Malus provision exists for the PSP which is welcomed. Nevertheless, best practice would be to operate real clawback provisions for all incentive schemes, such that money already paid are shares which already vested (after the implementation of the clawback provision) can be recovered under exceptional circumstances. Also, upside discretion can be used by the Committee when determining severance payments under the different incentive schemes.

Rating: BDD.

Based on this rating it is recommended that Suffolk oppose.

Vote Recommendation: *Oppose*

Results: For: 92.2, Abstain: 0.5, Oppose/Withhold: 7.3,

## BARRATT DEVELOPMENTS PLC AGM - 12-11-2014

### 2. Approve Remuneration Policy

Disclosure is considered acceptable with the exception of specific targets which are not provided for EPS and ROCE performance conditions, for the Long Term Performance Plan (LTPP).

Awards made under the LTPP vest subject to ROCE targets, relative TSR and absolute EPS targets. Although, it is welcomed that a third performance metric has been introduced, the performance conditions do not work interdependently, which runs against best practice. Also, guidelines recommend non-financial metric(s) to be used. At less than three deciles between the lower and upper performance levels, the TSR vesting scale is not considered sufficiently broad. The three-year performance period is not considered sufficiently long term. It is also welcomed that the Remuneration Committee has introduced a holding period of two years. Total CEO potential rewards under all incentive schemes are considered excessive. The ratio of CEO pay to employee average pay is not disclosed, however it has been estimated and it is also considered excessive at 36 to 1. Shareholding requirements by Directors in the Company are in place, however the five-year time-frame in place is not considered adequate. Schemes are not available to enable all employees to benefit from business success without subscription.

The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers. This is considered an inappropriate practice as it undermines the rationale behind the remuneration policy to retain Executive Directors. Upside discretion may be used while determining severance. Awards may continue to vest for Directors who have left office. A bonus may be payable (to a Good Leaver) for the 12 months notice period; this practice is against best practice. Awards vest early in the case of a takeover, although subject to time pro-rata and the level of performance conditions achieved during that period. Mitigation arrangements exist. A clawback policy is in place, although limited to two years after vesting of awards.

Rating: BDC

Based on this rating it is recommended that Suffolk oppose.

Vote Recommendation: *Oppose*

Results: For: 98.3, Abstain: 0.7, Oppose/Withhold: 1.0,

#### 16. *Approve increase in non-executives fees*

It is proposed to increase the maximum limit for Non-Executive Director fee allocation from £600,000 to £800,000. Fees paid in the year to Non-Executive Directors amounted to £505,000. The existing fee limit currently provides for 15.8% increase on the aggregate Non-Executive Director fee paid in the year. The proposed increase would provide a headroom of 36.9% on the NEDs fee. The Company has stated the increase on the pool will enable the Board to appoint additional Non-Executive Directors if and when needed without the risk of breaching the existing limit. It will also cover any general increases that may be required to ensure that fees remain competitive in the market.

As this issue is not covered by the template it is recommended that Suffolk abstain.

Vote Recommendation: *Abstain*

Results: For: 99.3, Abstain: 0.6, Oppose/Withhold: 0.2,

### **WOLSELEY PLC AGM - 25-11-2014**

#### 2. *Approve the Remuneration Report*

All elements of each director's cash remuneration and pension contributions are disclosed. All share incentive awards are fully disclosed with award dates and prices. There were no significant changes in policy and no compensation payments were made during the year under review. However, changes in CEO pay over the last five years are not considered in line with Company's financial performance. The variable remuneration paid to the CEO for the year under review is considered excessive. Rating: C.

Based on this rating it is recommended that Suffolk abstain.

Vote Recommendation: *Abstain*

Results: For: 92.5, Abstain: 6.0, Oppose/Withhold: 1.5,

#### 3. *Approve Remuneration Policy*

Disclosure is acceptable.

Maximum potential awards under all incentive schemes are considered highly excessive. The ratio of CEO pay to average employee pay is also considered inappropriate. The use of two long-term incentive schemes, each using only one performance criteria, is deemed contrary to best practice. The performance periods are also not considered sufficiently long-term. Also, there are no schemes available to enable all employees to benefit from business success without subscription.

Finally, upside discretion can be used by the Committee when determining severance payments under the different incentive schemes. Furthermore, the Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers, which is an inappropriate practice.

Rating: AEC.

Based on this rating it is recommended that Suffolk oppose.

Vote Recommendation: *Oppose*

Results: For: 89.0, Abstain: 5.0, Oppose/Withhold: 6.1,

### 17. *Approve Political Donations*

Approval sought to make donations to political organisations and incur political expenditure not exceeding £125,000 in total. The Company did not make any political donations or incur any political expenditure and has no intention either now or in the future of doing so. However, the maximum limit sought under this authority is considered excessive. An oppose vote is recommended.

Vote Recommendation: *Oppose*

Results: For: 97.1, Abstain: 1.9, Oppose/Withhold: 1.1,

## **PANTHEON INTERNATIONAL PARTICIPATIONS PLC AGM - 25-11-2014**

### 4. *Re-elect Mr I.C.S. Barby*

Non-Executive Director. Not considered independent as he has served on the board for more than nine years. There is insufficient independent representation on the Board.

He is a non-independent member of the Audit committee which does not meet Suffolk guidelines.

Vote Recommendation: *Oppose*

Results: For: 86.9, Abstain: 0.0, Oppose/Withhold: 13.1,

### 5. *Re-elect Mr T.H. Bartlam*

Non-Executive Chairman. Not considered independent as he has served on the board for more than nine years. There is insufficient independent representation on the Board.

He is a non-independent member of the Audit committee which does not meet Suffolk guidelines.

Vote Recommendation: *Oppose*

Results: For: 87.1, Abstain: 0.1, Oppose/Withhold: 12.8,

### 7. *Re-elect Mr R.M. Swire*

Non-Executive Director. Not considered independent as he is the founder director both of the Company and of the Company's Manager. He was until 12th October 2011, a director of Pantheon Ventures Limited, a parent undertaking of Pantheon Ventures (UK) LLP, the Company's Manager, and was formerly a director and Senior Partner of Pantheon Holdings Limited. Furthermore, he has served on the Board for more than nine years. There is insufficient independent representation on the Board. An oppose vote is recommended.

Vote Recommendation: *Oppose*

Results: For: 84.5, Abstain: 0.1, Oppose/Withhold: 15.4,

### 11. *Issue shares for cash*

Authority is limited to 10% of the ordinary share capital and 10% of the redeemable share capital.

This amount exceeds Suffolk guidelines.

PIRC issue: Within acceptable limits. The Company stated that shares will be issued or sold at a price per share not less than the net asset value per share immediately preceding the issue (or sale).

Vote Recommendation: *Oppose*

Results: For: 95.0, Abstain: 0.0, Oppose/Withhold: 5.0,

**ASSOCIATED BRITISH FOODS PLC AGM - 05-12-2014****3. Approve Remuneration Policy**

Disclosure with regards to the policy is considered acceptable. The Company operates one Long Term Incentive Plan (LTIP) although awards continue to vest under a legacy plan. LTIP awards vest subject to one single performance measure. This is against best practice as multiple performance conditions which include a non-financial metric should be used in an interdependent manner. At three years, the performance period is not considered sufficiently long term. It is welcomed that an additional holding period of two year has been introduced. Potential awards that can be made to the Directors and under all variable plans are considered excessive, as the maximum individual limits for awards under performance-related plans allow for up to 300% of base salary equivalent of awards. The ratio of CEO pay to employee average pay is not disclosed, however it is, by estimate, also considered excessive at 133 to 1. Shareholding requirements are in place, however the Remuneration Committee does not set an adequate time-frame. Schemes are not available to enable all employees to benefit from business success without subscription.

The Company's recruitment policy allows for the replication of new appointees' forfeited schemes at their previous employers. This practice undermines the rationale behind the remuneration policy to retain Executive Directors. Upside discretion may be used while determining severance. The Committee has the discretion to determine whether 'Good Leaver' status should be applied on termination. The Executive's notice period may not be taken into account in any pro rating for vesting LTIP awards. Such discretion negates the purpose of safeguards in place. Also, the discretion may reward the Director for performance not obtained. Mitigation arrangements exist. There is a clawback policy in place, however, there is no evidence that the Company may retrieve awards already made to the Directors. Takeover provisions attached to the LTIP are not disclosed.

Rating: ADD

Based on this rating it is recommended that Suffolk oppose.

Vote Recommendation: *Oppose*

Results: For: 90.4, Abstain: 0.2, Oppose/Withhold: 9.4,

**8. To re-elect Timothy Clarke**

Senior Independent Director. Not considered independent as he has served on the board for more than nine years. Mr. Clarke is a non-independent member of the remuneration committee which does not meet Suffolk guidelines.

PIRC issue: There is sufficient independent representation on the Board.

Vote Recommendation: *Oppose*

Results: For: 93.1, Abstain: 2.1, Oppose/Withhold: 4.8,

**BG GROUP PLC EGM - 15-12-2014****1. Approve share awards to Mr Helge Lund**

In PIRC's view approval of share awards to Mr Helge Lund is being sought by the company to rectify its own failure of board process, judgement and respect for its shareholders. A Conditional Share Award is being proposed to be granted to Helge Lund, prospective Chief Executive of BG Group plc. Whilst all of the other elements of his remuneration package are within the Company's Remuneration Policy, the Conditional Share Award is outside the policy and is in excess of the annual maximum limit, which caps total variable awards at 600% of base salary. The award which has a face value of £12,000,000 will be equivalent to 800% of Mr Lund's salary.

In PIRC's view, the proposed Conditional Award has not been adequately justified. The Company's remuneration policy was agreed at its May 2014 Annual Meeting by shareholders and this proposal fundamentally undermines the key purpose of the new binding policy vote. This is exacerbated by the fact that the total package proposed to Mr Helge Lund is already considered excessive, more so when compared to the previous CEO's pay as he was awarded £8,368,000 in FY2013; the incoming CEO's introductory pay package, assuming maximum performance, is 3.3 times larger than that of his predecessor. Mr Lund's pay package also greatly

exceeds pay packages of SuperSector peers, the next highest being BP plc.

In PIRC's view, such an excessive award could be seen as a golden hello award as it grossly exceeds the maximum limits set in the existing policy. Excluding the Conditional Share Award, the CEO will be granted variable awards equivalent to 867% of his base salary and 1667% inclusive of the Conditional Award. This is considered by PIRC to be exorbitant compared to the acceptable threshold of 200% of base salary. The introductory total package, assuming maximum performance from the Director and at the current market share price, has a value £27,855,660. The additional dividend equivalents are also unacceptable as such payments misalign shareholders' and Executives' interests as shareholders must subscribe for shares in order to receive a dividend whereas Executive participants in the scheme do not. The one-off buyout of forfeited variable pay at Statoil worth up to £3,000,000, will not be subject to performance conditions which is not in the best interests of shareholders and does not fit with the 'pay for performance principle'. Omission of specific performance conditions and targets for the Conditional Share Award is considered material as shareholders are not given an opportunity to assess whether these are challenging. The Board has acknowledged the significant responsibility that comes with the discretion on assessment of performance and although they have committed to detailed disclosure of the performance assessments, such high level of discretion cannot be supported as it negates the purpose of safeguards. In PIRC's opinion, the Board has resorted to the mechanism of an EGM as a result of its incompetent handling of the recruitment process. This vote attests to the failure of the Company's remunerations policy and corrupts the intent of the government's new binding policy vote. An oppose vote is recommended.

*Vote Recommendation: Oppose*

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