ANNEX 1

Manifest Monitoring Review
of
Shareholder Voting 2016/17
for
Oxfordshire Pension Fund

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TABLE OF CONTENTS

LIST OF TABLE AND FIGURES

1 Introduction

1.1 Aim of Shareholder Vote Monitoring

This is the third year for which Manifest has undertaken a thematic review of the shareholder voting of the Oxfordshire Pension Fund, putting Oxfordshire's fund manager voting behaviour into a comparative and wider context.

The aim of the report is to provide further understanding of:

- Voting activity taken on behalf of the Fund;
- Wider voting issues;
- Governance standards at companies; and
- How the Fund's investment managers use voting rights.

As an on-going annual report, the report assesses progress in terms of the governance standards at investee companies versus good practice, as well as the use of share voting by Oxfordshire's appointed fund managers as a part of their engagement with companies.

Importantly, this report looks at the full picture of how Oxfordshire's fund managers are making use of the Fund's voting rights and will therefore enable Oxfordshire to better understand and challenge fund managers about the role their voting activity plays in ownership strategy. The report enables Oxfordshire to fulfil the objectives of the Stewardship Code in constructively challenging external fund managers in their stewardship activities.

1.2 Voting in Context

Oxfordshire's voting policy gives discretion to managers to vote in line with their own voting policy and therefore does not require managers to follow a specific policy. It is important to note therefore, that the Manifest good practice template should not be viewed as a measure of 'success' or 'compliance' but more of an aspirational benchmark for good practice company behaviour.

The use of shareholder voting rights is not the only means by which shareholder concerns can be communicated to management; however, use of these rights is something that investors are being asked to consider in a more strategic, holistic manner. Managers implement their voting policy in conjunction with other shareholder tools, such as engagement, as a part of their investment management. It should therefore be noted that investment managers may be supportive of company management through a period where engagement has occurred and management are working towards making improvements from that engagement activity, even though the company currently falls short of the desired standard.

Vote monitoring is therefore about understanding investment risk management and oversight of stewardship activities, not enforcing compliance with a policy. It allows for a comparison of fund managers, general shareholder voting behaviour and fund expectations. But share voting is a useful guide for governance risk and how fund managers manage it, because of the provisions of specific research designed to assess corporate governance characteristics and the availability of information about fund manager voting, simultaneously and consistently.

1.3 Scope of Analysis

The period covered by this report encompasses the period of the 1st August 2016 to the 31st July 2017. It represents a full years' voting.

Manifest analyses the issues at hand to provide voting guidance for each voting resolution. This guidance is the result of assessing the company and the resolutions proposed for the meeting in light of a Voting Template framed upon corporate governance good practice policy developed by Manifest for Oxfordshire. This frame of reference can be amended or modified on a customised basis at any time.

Members should consider the Voting Template as a good practice framework to assess corporate governance standards for investee companies, rather than in terms of being voting instructions for fund managers to follow.

The precise tactical use of voting rights is in itself a strategic investment consideration taken by managers. Therefore, for the purposes of this report, Members should bear in mind that it is more significant that the Voting Template identifies an issue of concern (i.e. suggests there may be a reason to not support management or requiring further fund manager review) in relation to a resolution, than the voting action suggested by the template (i.e. an ‘Abstain’, ‘Against’ or ‘Case by Case’ consideration). It is in this light that we have analysed and compared fund manager voting against issues of potential concern, with the emphasis on ‘potential’. The report also analysis some of the specific governance issues which have been identified by Manifest’s implementation of the voting policy during the monitoring period, to ascertain some notable patterns of the fund policy and external fund managers voting practice.

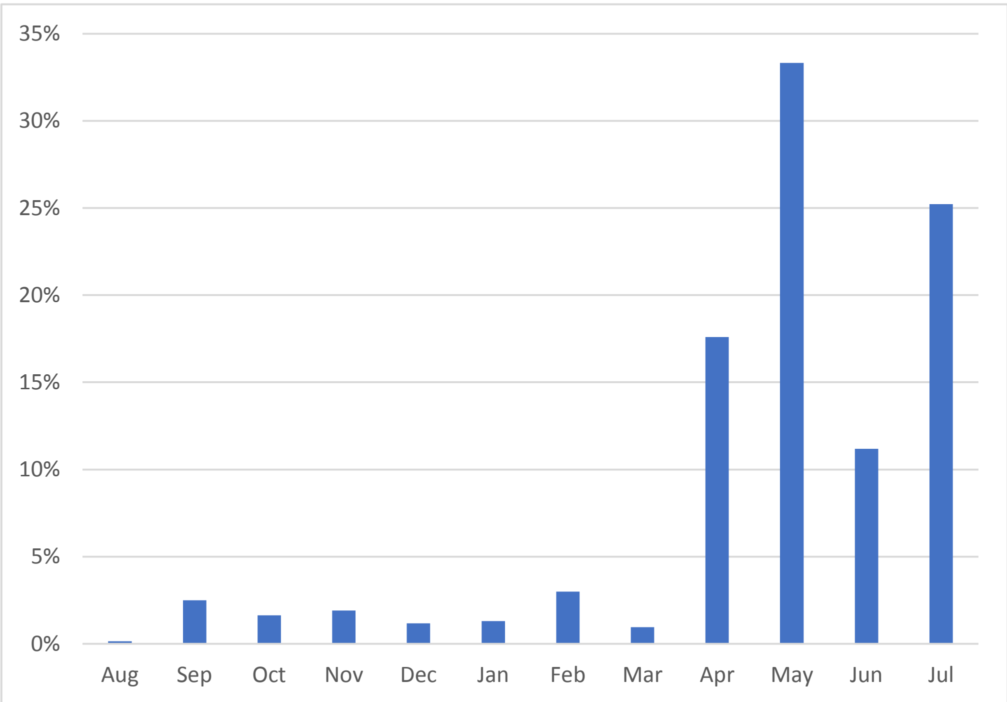
1.4 Peak workloads

Institutional investors are faced with a highly seasonal cycle of activity when it comes to voting shares. With the vast majority of companies reporting a financial year end of the 31st December, and many others using the traditional April to March financial year, there are clear ‘peaks’ of meeting activity approximately three to four months after the end of the financial years. This means the majority of company meetings are concentrated in the period between April-June (Quarter 2). Because of this concentration Quarter 2 is commonly referred to as ‘peak season’ and those outside this seasonal concentration “off-peak season”.

Figure 1 shows the percentage of total annual resolutions voted by Oxfordshire’s fund managers per month, covered by the full monitoring survey. It shows graphically the severe concentration of voting decisions that occurs in April and May of the calendar year, with 50.9% of the voting occurring during those two months, and a further 36.4% during June and July.

Asset owners like the Oxfordshire Pension Fund should be aware that such a high concentration of work inevitably leads to the commoditisation of voting decisions. This in turn increases the likelihood of outsourcing voting decision-making responsibility to outside consultants. In recent years, this dynamic has become the focus of regulatory scrutiny in the UK, Europe, the US, Canada and Australia, especially towards proxy research consultants, and the role that investors play in retaining control of voting decisions.

Figure 1: Percentage of Total Annual Resolutions Voted Per Month (August 2016 – July 2017)



1.5 Governance Hot Topics

There follows at the end of the report a selection of short pieces on issues of topical relevance to institutional investors in 2016/17.

2 Executive Summary

Section 3 ("Explanation of Voting Activity & Monitoring Approach") explains what shareholder voting is and what types of issues shareholders are frequently asked to vote upon. It also sets out the number of meetings voted by Oxfordshire's fund managers in the review period, and explains how Manifest approaches monitoring the fund manager voting at those events.

Manifest undertook full monitoring of meetings in companies in mainstream markets (primarily the UK, Europe, and North America) for the period of 1st August 2016 to the 31st July 2017. The research brought a total of 338 meetings, comprising a total of 5,856 resolutions (an increase on the 4,133 resolutions voted in the prior period). Taking into account occurrences of more than one fund manager voting at the same meeting and on the same resolution, a total of 6,625 resolution analyses were undertaken over 380 shareholder meetings. Of these:

- 3,379 were voted by L&G Investment Management, representing the largest proportion of the report data;
- 1,318 were voted by UBS;
- 1,118 were voted by Baillie Gifford;
- 810 voted by Wellington;
- 1,100 were resolutions where the Voting Template highlighted potential governance concerns and on these resolutions fund managers supported management on 1,012; and
- In total 367 resolutions were voted against management recommendation.

Whilst the number of resolutions where funds managers supported management despite potential concerns being identified seems relatively high, this is ultimately evidence to support the significance of the word 'potential'. Not all concerns merit a vote against management, especially where investors may prefer to use other communications to articulate their concerns before using their share voting rights, or where a concern is not deemed material enough by the fund manager to warrant opposing management's proposal on the issue. Conversely, the report also identifies instances where investors have opposed management even where no governance concerns were highlighted, which suggests an organic, active use of voting rights to enhance the wider ownership process.

Section 4 ("Common Policy Issues at Investee Companies") examines the range of governance issues and considerations which lie behind the resolutions on which Oxfordshire's fund managers were asked to vote, and detailing those which Manifest identified most frequently among the companies at whose meetings the fund managers voted.

Board balance issues are the most frequently identified concerns, partly because they are the substantial issues of the most frequently voted resolutions. The most common specific good practice governance criteria against which Manifest found Oxfordshire's portfolio companies to fall short were:

- Board and Committee independence;
- No Nomination Committee;
- Roles of Chairman and Chief Executive are combined;
- Authority to make political donations;
- No independent verification of the Company's ESG reporting; and
- No meetings held by the non-executive directors without the executives' present.
- Authority to issue share without pre-emption rights exceeded good practice threshold; and
- Lack of gender diversity targets.

Many of these issues were consistently identified in this analysis in the prior year. Many of these instances will have seen portfolio companies provide explanations for non-compliance, following the “comply-or-explain” regime. These are the substantial issues on which investor attention should focus, rather than whether specific resolutions were opposed or otherwise.

In the case of board considerations, this is explained by the fact that so many of the resolutions pertain to board structures (not least director elections, which are by far the most numerous resolution type). It should be noted that there may be multiple concerns highlighted in terms of board structure on director elections and that generally there are therefore much fewer actual resolutions to vote on than identified concerns.

The next step of the analysis is to study patterns of voting behaviour, both those of Oxfordshire’s fund managers as well as shareholders in general (Section 5 “Aggregate Voting Behaviour”). We also examine which types of resolution have been the most contentious (Section 6 “Voting Behaviour by Resolution Category”).

Overall, Oxfordshire’s managers during the review period were comparatively more active in expressing concerns through their votes at corporate meetings than the average shareholder. Whereas general dissent[1] stood at 3.75% on average (compared to 3.60% in the prior year), Oxfordshire’s fund managers opposed management on 5.55% of resolutions (up from 3.63%). At individual fund manager voting behaviour level, Ballie Gifford, L&G and UBS voted with management less than shareholders in general whilst Wellington supported management more than shareholders in general. Baillie Gifford and UBS voted against management noticeably more than shareholders in general (i.e. by a factor of 4%). It should also be noted that whilst Wellington did not oppose management to the same extent as shareholders in general, Wellington’s level of support for management has decreased by 1.79% from last year. Similarly, L&G’s level of support for management has decreased by 1.88%.

The number of potential corporate governance issues identified in Oxfordshire’s holdings slightly decreased from the prior year, the level of compliance with the good practice template increased by 0.41% (i.e. this year’s template with management is 79.49% and 79.08% last year).

In aggregate, Oxfordshire’s managers have opposed management more often than general shareholders; this is situated against a backdrop where shareholders in general have (on average) voted against management more, and an increase in the number of issues of concern identified in the Manifest research. This suggests that Oxfordshire’s fund managers assertively make use of Oxfordshire’s voting rights to ensure that good practices of corporate governance and sustainability are at place amongst Oxfordshire’s holdings.

In general terms, this research has in the past suggested that we would expect to see overall trends improve over time, but in the short term, the relative frequency of various governance themes may come and go in line with contemporary concerns and developments. This year’s report very much supports this hypothesis, with comparatively higher levels of concerns identified and increased dissent from shareholders and fund managers, with many of the identified themes very familiar.

A summary of the major developments and debates in global (and especially domestic) corporate governance and voting follows in Hot Governance Topics, featuring amendments to the UK Corporate Governance Code, changes to the UK Pension and Lifetime Savings Association’s guidelines, changes to the UK’s Investment Association’s executive pay recommendations, and human capital and climate change initiatives.

[1] **What is General Shareholder Dissent?** Where Manifest uses the term ‘Dissent’, this is the result of having added up all votes not supporting the management recommendation, represented as a percentage of all votes cast (‘Against’ plus ‘Abstain’ votes where Management recommended a ‘For’ vote and ‘For’ votes where management recommended ‘Against’). Where there was no clear recommendation from company management, we have not counted any votes cast on those resolutions as dissent. We calculate the average dissent figure by aggregating all the voting results (expressed in terms of % of votes cast ‘For’) on all resolutions, then dividing the aggregate figure by the number of resolutions. In most cases, this gives an accurate statistical indication of the dissent that a typical resolution type attracts, relative to others.

3 Explanation of Voting Activity & Monitoring Approach

This section explains what shareholder voting is and what types of issues are frequently voted upon. It will also identify the number of meetings voted by Oxfordshire's fund managers in the monitoring period, and explains how Manifest approaches monitoring the fund manager voting at those events.

3.1 Voting Opportunities

Voting Resolutions

The majority of meetings at which shareholders are asked to vote during the year are Annual General Meetings (AGM), at which there is legally defined, mandatory business which must be put to the shareholders. Few resolutions are actually non-binding in nature. The main non-binding resolutions at an AGM are the receipt of the report and accounts and the approval of the remuneration report.

Like investment decisions, the consideration of shareholder voting decisions often takes into account multiple questions, including company disclosures, company practices, shareholder preferences and wider engagement strategy undertaken by fund managers. This is especially true on the report and accounts resolution. A vote against a particular resolution such as the report and accounts may be explained by any number of various potential factors.

Voting strategy should be seen as an important part of the wider investment process, by using voting rights both positively and negatively to mitigate risk in the equity portfolio. This may mean that, despite the presence of some potentially significant issues, investors may agree to support management in the short term with their votes as part of an engagement process for addressing longer term concerns.

This report will analyse voting resolutions and look at the Fund's investment managers' approach to voting in more detail in a subsequent section of the report.

3.2 Meeting Types

Manifest's experience is that companies have approximately 1.2 meetings per year on average. The majority of meetings at which investors vote during the year are Annual General Meetings (AGMs), at which there is legally defined, mandatory business (Meeting Business) which must be put to the shareholders. These items will vary from market to market and are a function of local company law.

Mandatory business typically includes:

- Receiving of the annual report and accounts;
- Director (re)elections;
- Director remuneration;
- Approval of annual dividend; and
- Reappointment and remuneration of auditors.

Readers should note that what counts as mandatory business varies between jurisdictions. For example, the discharge of Board members from liabilities for their acts or omissions in the past financial year is a regular item on the agenda of AGMs of German companies but is not a feature of UK AGMs. Likewise, the UK is fairly unusual in having a routine resolution to seek shareholder permission for the right to hold non-AGMs at 14 days' notice, instead of the requisite 21 days which normally otherwise applies for shareholder meetings across the EU.

AGM business will often also contain resolutions to approve the issue of new share capital up to a certain maximum (for example in the UK this is usually one third of current Issued Share Capital plus another third for use in a rights issue), along with an accompanying request for the dis-application of pre-emption rights. Across different markets the capital authorities required vary somewhat in their application and number. American and Canadian incorporated companies are not normally required to seek shareholder approval for authorisations to issue shares or to dis-apply pre-emption rights on the issue of shares. Provided a company's authorised capital includes sufficient headroom, management may issue shares subject only to certain limitations set out in the stock exchange listing rules. Although varying by market, resolutions of this authority contribute towards AGMs having a significantly larger number of resolutions on average than other types of meetings.

Since UK and European companies may sometimes challenge the legal terminology for non-Annual General Meetings; some meetings during the period under review were reported as an EGM (Extra-ordinary General Meeting) and other meetings identical in nature were reported as simply General Meetings (GM). In future, GM will replace the term 'EGM'. A Special General Meeting (SGM) is what some companies might use to refer to an EGM, where a Special Resolution is the substance of a meeting (i.e. a resolution which requires a special (higher) level of support or turnout). Other types of meetings include Court Meetings which are technically called by a Court of Law (most commonly in the UK when there is a need to approve a Scheme of Arrangement), rather than by management, and Class Meetings where only shareholders of a specified class of share may vote.

3.2.1 Meetings in the full monitoring sample by Fund Manager

During the period under review, of the 380 meetings Oxfordshire Fund Managers voted at, 91.58% were AGMs, with the majority of the rest constituting GMs 6.58%. The remaining were EGMs 0.26%, SGMs 0.53%, Court Meetings 0.79% and Class Meetings 0.26%.

The table below represents the number of meeting in which fund managers have voted during the monitoring period. The total number of meetings voted by managers (380) exceeds the unique total number voted at for the fund (338) because of instances where more than one fund manager voted at the same meeting, additionally a number of companies held more than one meeting during the review period:

Table 1: Meeting types by fund manager

FUND MANAGER	COMPANIES	AGM	GM	EGM	SGM	COURT	CLASS	TOTAL
Baillie Gifford	54	53	8	0	0	1	0	62
L&G Investment Management (Pooled Instrument)	175	168	14	0	0	2	1	185
UBS (Pooled Instrument)	82	82	2	1	0	0	0	85
Wellington	48	45	1	0	2	0	0	48
Total	**321***	**348**	**25**	**1**	**2**	**3**	**1**	**380**

** Represents the total number of unique companies, not the sum total of companies voted by each manager.*

Although we would expect there to be a 1:1 ratio between the number of companies voted and the number of AGMs voted (on the basis that all companies should have an AGM during the year), the small differences are likely to be explained by portfolio turnover. For example, if a fund manager sells a position in a company in June whose AGM is normally in September, replacing it with stock in a company whose AGM was in March, the fund manager will have owned two companies but had no AGMs to vote in either. However, were Non-AGMs have taken place, these are still counted and therefore explain why the number of companies voted exceeds the number of AGMs voted. This is not as unlikely as it may seem – often when a company de-lists, a shareholder meeting is required, making it quite plausible that a company may have an EGM but no AGM during the year.

3.3 Monitoring Approach

The Manifest Voting Template analyses and considers good practice governance expectations in the context of company meeting business (i.e. what can be voted at a shareholder meeting). Where there are local variations to good practice questions (for example, the length of time after which an independent director may no longer be deemed independent), Manifest applies the local market variation to the assessment, so that we only flag an issue as of concern if the company in question fails to meet their local standards. Where no issues of concern are identified in connection with a resolution, the Voting Template will naturally suggest supporting the proposal.

Manifest monitors companies using this Voting Template in order to:

- Consistently identify company-specific governance policy issues, and
- Monitor and benchmark the actual voting behaviour of investment managers compared to
  - The average shareholder (based on meeting outcomes) and
  - The good practice governance standards (based on regulatory and public policy standard).

The Voting Template is not a prescriptive list of mandatory voting requirements. It is understood that investment managers actual voting behaviour will differ from the Voting Template. This is due to variances in views on governance and voting issues, investment strategy and the role of voting within on-going engagement and stewardship strategy. As such it offers the Fund a “sense check” of the stewardship approach managers are taking.

4 Common Policy Issues at Investee Companies

This section develops the themes identified in the previous chapter by examining the range of governance policy issues and considerations which lie behind the resolutions on which shareholders are asked to vote. The analysis then details those concerns from Oxfordshire's policy which Manifest identified most frequently among the companies Oxfordshire's fund managers have voted meetings for. This can be considered as a measure for companies' compliance with Oxfordshire's governance policy.

4.1 Introduction

Corporate governance is important to investors because it defines the system of checks and balances between the executive management of the company and its owners. Without appropriate levels of independence, accountability, remuneration, experience and oversight, corporate governance would offer shareholders little protection from the risk that their investee company is badly managed.

Analysis of the Voting Template settings allows for an in-depth study of the specific governance issues which have been identified by Manifest's research and analysis process. We have selected the most common issues which have been triggered by the Voting Template, to illustrate the most common 'issues' with resolutions voted by the Oxfordshire fund managers according to the preferences set out in Oxfordshire's Voting Template used by Manifest for monitoring fund manager voting.

The scope of Oxfordshire's voting policy is focussed upon a small number of important governance themes, to enable scrutiny of a manageable number of issues. These themes include Audit & Reporting; Board; Remuneration: and Sustainability. Each theme has a number of specific questions associated with it (e.g. on a Director Election resolution (Board), "Where the nominee is non-executive and not independent and the percentage of independent directors is insufficient"). It is these specific questions whose frequency this section of the report examines.

There were 1,100 resolution analyses where one or more concerns were identified by Manifest from Oxfordshire's Voting Template.

When considering the most common policy issues Manifest identified at the meetings researched in the Oxfordshire portfolios, comparison with last year's analysis shows that, in general, a larger number of issues of concern were identified at companies. This is explained in part by there being a higher number of resolutions in the data set. However, changes in the patterns of frequency also suggest some inferences.

When analysing the dataset, there is a distinct high proportion of Board-related resolutions (49.58%). This stems from the fact that director elections are frequently, indeed preferably, conducted on an individual basis (i.e. one resolution per director), and more often than not form a part of the common or mandatory business for an AGM every year.

Table 2: Most Common Policy Issues

TABLE POSITION	DESCRIPTION	POLICY PILLAR	ISSUE TYPE
1	Nominee is a non-independent member of the Remuneration Committee and the percentage of the Remuneration Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Remuneration	Remuneration Committee
2	Nominee is a non-independent member of the Audit Committee and the percentage of the Audit Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Audit & Reporting	Audit Committee
3	An authority for political donations and expenditures is being sought	Sustainability	Donations
=	Nominee is a non-independent member of the Nomination Committee and the percentage of the Nomination Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Board	Nomination Committee
5	There is no independent verification of the Company's ESG reporting	Sustainability	Corporate Social Responsibility
6	The roles of Chairman and CEO are combined	Board	Chairman / CEO
7	A Nomination Committee does not exist (or its membership is not disclosed)	Board	Nomination Committee
8	The Company, being a large/mid cap constituent, has not disclosed a gender diversity target	Board	Board Diversity
9	The authority sought without pre-emption rights exceeds 5%-50% (depending on the local market provisions)	Capital	Share Issues
10	There are no meetings held by the non-executives without the executives present	Board	Board Operation
11	The individual's number of other current directorships at listed companies (Chairman role counts as 2) exceeds one in the case of an executive nominee and five in the case of a non-executive nominee	Board	Director - Time Commitment
12	Nominee is non-executive and not independent and the percentage of independent directors on the Board (excluding the Chairman) (large company) comprises less than 50%	Board	Board Composition

Overall, Manifest flagged 1,582 policy issues across the 6,625 resolution analyses undertaken for this report. This includes instances where the same resolution was analysed multiple times due to fund managers voting on the same resolution. Some resolutions were subject to multiple issues. Due to this, the following section includes an indication of the resolution category that each concern may be associated with.

4.1.1 Notes on the operation of good practice governance analysis

Readers should note that the Manifest voting guidance system allows for an individual governance issue to be applied to multiple resolutions. This is because, for the most part, there is not a one to one match between a policy issue and a specific resolution. This means that the list below is heavily weighted towards those considerations which are associated with the most frequent resolution type – board resolutions, and specifically, director elections.

For example, concerns relating to board or committee independence may be taken into consideration for the approval of the report and accounts (Audit & Reporting), director elections and possibly remuneration related resolutions (where the remuneration committee is insufficiently independent, concern with their proposals may be highlighted). Manifest reflects board accountability in its research by placing the analysis of the relevant board committee in the context of analysis of the governance matters for which they are responsible.

4.2 Conclusions on common policy issues

Taken as a whole, this analysis shows just how many different considerations there are that go into assessing the governance of a typical company.

Although the volume (in absolute terms) of the most common governance concerns Manifest identifies is heavily affected by the high number of director election resolutions compared to other types of resolution, readers should not dismiss the significance of board-related considerations (director election).

The election of directors, and the governance structures which they constitute on the board, is the lifeblood of accountability between boards and owners. It is the (non-executive) individuals on the board whose job it is to protect and look out for the interests of shareholders, so it follows that they are held accountable regularly and that a wide number of considerations are taken into account.

Nine of the top 12 concerns relate to director elections, of which the majority relate to independence issues and the effect that has on the functioning of the board and its committees. Of the top 12, the only exceptions to this are the questions of independent verification of Environmental, Social and Governance (ESG) reporting, authorities sought for political expenditure and share issues without pre-emption rights.

4.3 Audit & Reporting

Annual report resolutions are frequently those on which concerns about general board structures and practices may be concentrated, in addition to issues relating to the verification and reporting of information.

4.3.1 Audit committee independence

We assess the independence of the audit committee, in terms of whether there is a sufficient number and/or proportion of directors deemed independent (by reference to the local good practice standards).

It is a consideration for the approval of financial and non-financial reporting, because it relates to judging the independence of the audit process which underpins company reporting and therefore has been flagged on Report & Accounts resolutions.

4.3.2 No independent verification of ESG reporting

The growth in importance of ESG considerations in investment heightens the profile of ESG information provided by companies and hence increases the need for its veracity. As more investors use ESG information in their investment decisions, it follows that such information should be subject to levels of verification equivalent to those of more traditional disclosures such as financial updates and governance reports.

4.3.3 The number of meetings held by the non-executives without the executives present.

We identify where there has been no meeting of non-executives without executives present disclosed by the company.

It is important for the non-executives to meet without the executives present in order to be able to have a free and open discussion about matters which may be more difficult to discuss with the presence of those who are running the business day to day.

4.3.4 The roles of Chairman and Chief Executive Officer are combined

We identify where the roles of Chair and Chief Executive Officer (CEO) and are performed by the same person.

The over-concentration of power in one single office or person is a key potential risk factor in any organisation. Despite the fact that some markets (notably France and the US) have much more relaxed standards on this question than most others, investors increasingly expect companies to separate the roles of CEO and Chair. It is associated with the Audit & Reporting category because it is applied to consideration of the report and accounts,

4.4 Remuneration

4.4.1 Remuneration Committee Independence

We assess the independence of the remuneration committee, in terms of whether there is a sufficient number and/or proportion of directors deemed independent (by reference to the local good practice standards).

4.5 Board

Many of the most common governance criteria that were triggered all pertain to board structures and independence, which are considerations in director elections. Readers will note that the most common type of resolution in the voting portfolio was director elections (they accounted for 49.58% of all resolutions), which largely explains the fact the below criteria are flagged most frequently.

4.5.1 Nomination Committee Independence

We identify where the Nomination Committee does not have a sufficient number of or proportion of independent directors by reference to the local standards within which the company operates.

Globally it is acknowledged that the Nomination Committee should consist of at least a majority of independent directors. Independence and objectivity of input are the best conditions for the nomination of suitably independent and diverse candidates for future board positions.

4.5.2 A nomination committee does not exist (or its membership is not disclosed).

Without a clear nomination committee and process, the provenance of director election proposals is unclear. This is therefore a consideration which has flagged on director elections.

4.5.3 Percentage of female directors on the board

Manifest tracks the issue of female representation on the board as a part of the wider debate on board diversity.

Whilst the issue of female directors on the board may not be a critical risk consideration on its own, the fact that director independence in general is so frequently flagged might point to a wider problem with adequate application of diversity considerations when making board appointments, of which female presence on the board is perhaps the most obvious measure. It is recognised that Boards perform best with the best people appointed to them, and for that reason; diversity of all kinds (including gender) should be encouraged.

The 2015 Davies Review Five Year Summary Report recommended for the target of 25% female board representation by 2015 at FTSE100 companies to be expanded to the FTSE350 and to 33%. The expanded target was subsequently adopted by the Hampton-Alexander Review, this review has a particular focus on getting more women into executive positions as well as onto boards. There have also been business-backed initiatives on gender diversity launched such as the Women in Finance Charter and the 30% Club.

4.5.4 Nominee is non-executive, non-independent and the board is not sufficiently independent

We monitor whether boards' composition meets the independence criteria of the market where they operate. Where it doesn't, and the individuals who are contributing to this concern are up for (re)election, we highlight board composition as a concern in the context of their (re)election proposal.

4.5.5 Nominee has a significant number of other directorships

This consideration takes into account that if a director holds a significant number of other directorships at listed companies then the individual's ability to meet the time commitments expected of the role may be impaired. This consideration can be taken alongside the individual's attendance records, if it is below 75% there may be concerns whether the director is fulfilling the role expected by shareholders.

4.6 Capital

4.6.1 The authority sought exceeds 5% of issued share capital

The most common capital-related concern highlighted is where a company board seeks permission for authority to issue new shares, or allocate share capital, sometimes for a specified purpose (for example, for the purpose of executive or employee incentive pay) without the application of pre-emption rights.

Where the amount of share capital concerned exceeds a certain threshold, it may be of concern to shareholders (who may wish to have the right to choose to maintain ownership of a certain proportion of the company, so would want the ability to obtain their proportion of the new share issue in order to do so). The stipulated proportion may frequently be defined in local corporate governance codes under provisions designed to protect the rights of shareholders.

4.7 Sustainability

4.7.1 Political donations

Under European jurisdictions, companies are required to seek approval for so-called political donations. These resolutions are not specifically for party political donations as the EU include expenditure towards the realisation of political aims such as political lobbying, trade association memberships etc.

4.7.2 An authority for political donations and expenditures is being sought

Whilst it may seem arbitrary to set an absolute figure on such a resolution, this is actually in line with investor preferences in the sense that it would not seem appropriate for shareholders to approve a figure expressed relative to company size or turnover as that would imply that political donations are an acceptable routine aspect of corporate life. Secondly, given that laws relating to disclosures require absolute amounts to be disclosed, an absolute limit is also a more transparent means of applying a preference.

4.8 Corporate Actions

The Corporate Actions category covers a narrow and specific set of considerations. As a result, none of the governance concerns typically associated with this category featured in our analysis of the most common concerns identified by the policy, simply because the issues to which they relate don't come up on a typical corporate agenda very regularly.

4.9 Shareholder Rights

The shareholder rights category covers resolutions which relate specifically to proposals which affect the ability of shareholders to exercise some element of their rights (usually in a negative way by reducing ownership rights). It is therefore still a relatively rare resolution type to occur. They encompass not only rules about shareholder voting, but also things such as the ability of a shareholder (or shareholders) to requisition a meeting or a resolution at a meeting, the way in which a shareholder meeting is conducted and (perhaps most significantly) shareholder rights in the event of a (hostile) takeover situation.

5 Aggregate Voting Behaviour

Having discussed above the general themes of the most frequent contentious issues in each resolution category, the next step is to consider how Oxfordshire's fund managers voted. This section sets out and compares how Oxfordshire's fund managers voted, as compared to general shareholder voting patterns (as shown by the meeting results data collected by Manifest as a part of the monitoring service), in the context of different categories of resolution.

5.1 Fund Manager Voting Comparison

Table 3 below shows the total number of resolutions voted by each fund manager during the period under review. It shows the proportion of all resolutions which each fund manager voted with management, compared with the proportion of resolutions where the good practice Voting Template suggested supporting management. Lastly, it shows how shareholders were reported to have voted where meeting results were available from the companies in question. Manifest seeks to collect the meeting results data for all meetings analysed. In certain jurisdictions, provision of such information by companies is not guaranteed. However, of the 6,625 resolutions analysed in this report, Manifest obtained poll data for 6,525 resolutions, allowing for a meaningful analysis of the resolution data set.

Table 3: Overall Voting Patterns

FUND	RESOLUTIONS VOTED	OXFORDSHIRE MANAGERS SUPPORTED MANAGEMENT	GENERAL SHAREHOLDERS SUPPORTED MANAGEMENT	TEMPLATE FOR MANAGEMENT
Baillie Gifford	1,118	92.40%	96.82%	83.72%
L&G Investment Management	3,379	96.71%	97.05%	85.38%
UBS	1,318	89.45%	94.61%	66.62%
Wellington	810	95.99%	94.63%	69.96%
Total	**6,625**	**94.45%**	**96.25%**	**79.49%**

General Shareholders Supported Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where management provided no recommendation have not been included in the calculations for fund manager support and general shareholder support.

Table 3 shows that fund managers vote with management a high proportion of the time, and that the good practice Voting Template identifies potential governance issues on a far higher proportion of resolutions than the fund managers choose to oppose.

Using the "Template For Management" data as a proxy for compliance with corporate governance good practice expectations, the companies in the L&G and Baillie Gifford portfolios display a comparatively higher level of compliance with governance good practice than those of UBS and Wellington. This is also reflected in the general shareholder support levels – with Baillie Gifford and L&G portfolios with a higher average support than the UBS and Wellington portfolios.

This in part reflects the mandates, and therefore the composition of the portfolios, of the fund managers. L&G's and Baillie Gifford's mandates are for UK equities whereas the UBS and Wellington mandates are for global equities and are therefore exposed to a much higher potential variance of general governance standards creating lower levels of convergence with the voting policy template.

We can compare each fund manager's overall voting pattern with how other shareholders voted on the same resolutions (using our own analysis of the voting results data (where made available by companies)). Table 3 shows that Oxfordshire's fund managers oppose management more often than shareholders in general, by 1.80%. However, there are some variances between the respective fund managers.

UBS have supported management to a lesser degree than Baillie Gifford, L&G, and Wellington. When compared against L&G and Ballie Gifford the differences are partly explained by the fund manager mandates. L&G and Baillie Gifford's mandates have the effect of ensuring that the companies in which they are invested tend to have higher standards of governance to begin with when situated in a global context. Additionally, the degree to which it is possible to positively engage with portfolio companies in the UK market lends the funds to being in a position to continue to support management even where technical concerns may appear to persist.

The Wellington and UBS portfolios track global equities and therefore are subject to a much higher potential variance of general governance standards especially coming from a UK context and considering it is harder to engage global companies from a practical level, voting rights often become more important. This is demonstrated by taking the "Template For Management" measure as a proxy, the degree which portfolio companies display potential issues of concern is broadly comparable between the two and greater than the L&G and Baillie Gifford's portfolios.

Therefore, it could be considered surprising that despite the lower level of compliance with the corporate governance standards of the Voting Template and the second lowest level of general shareholder support, Wellington, while voting against management to a higher degree than L&G, have supported management to a higher degree than Baillie Gifford and to shareholders in general.

Baillie Gifford and UBS voted against management noticeably more than shareholders in general (i.e. by a factor of more than 4%). It should also be noted that the level of support for management has decreased for all fund managers from last year. It is also worth noting that the compliance against UBS template has dropped from the last year (66.62% compared with 76.11% previously). This may partly be explained by the increase in the number of resolutions voted by UBS (2,011 resolutions were voted on this year compared to 678).

At an aggregate level it is difficult to make thematic observations about why the funds have supported management less than shareholders in general, other than to say that it could be an indicator that the use of voting rights appears to play a more significant part of the investment and engagement process with companies than for the other shareholders. There could be a number of reasons for this including, for example, engagement strategy or even resourcing, as it could be taken as a measure of shareholder advocacy per se.

6 Voting Behaviour by Resolution Category

Table 4 and Table 5 below show headline figures as to how shareholders voted on each resolution category in general. The sections which follow them then show more detail into the sub-themes of each resolution category, showing in turn how the considerations relevant to each category and sub-category fit together to translate governance policy into possible voting action.

Using the vote outcome data collected in respect of the significant majority of meetings at which Oxfordshire fund managers have voted, we have combined the meeting results with our classification of meeting business, so as to identify which were the most contentious resolutions and the reasons for them being contentious.

6.1.1 What is "Dissent"?

Where Manifest uses the term 'Dissent', this is the result of having added up all votes not supporting the management recommendation, represented as a percentage of all votes cast ('Against' plus 'Abstain' votes where Management recommended a 'For' vote and 'For' votes where Management recommended 'Against'). Where there was no clear recommendation from company management, we have not counted any votes cast on those resolutions as dissent. In respect of shareholder proposed resolutions, dissent is measured by taking into account votes cast differently to the management recommendation (which may most commonly have been "Against").

Table 4: Dissent By Resolution Category

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	RESULTS AVAILABLE	OXFORDSHIRE MANAGERS' DISSENT	GENERAL SHAREHOLDERS AVERAGE DISSENT
Board	3,285	3,236	3.93%	3.06%
Capital	1,137	1,131	7.92%	3.14%
Remuneration	872	861	10.89%	7.31%
Audit & Reporting	829	816	1.21%	1.58%
Shareholder Rights	267	261	5.66%	7.01%
Sustainability	186	177	13.04%	8.08%
Corporate Actions	39	38	7.69%	3.88%
Other	10	5	20.00%	2.34%
Total	**6,625**	**6,525**	**5.55%**	**3.75%**

"General Shareholders Average Dissent" calculated from general shareholder voting results where available.

Table 4 above shows the most common categories of resolutions at meetings voted at by Oxfordshire's fund managers. When looking at the general average dissent levels (i.e. the meeting results data), it is clear that shareholders in general support management to a considerable extent, even on the most contentious issues.

Oxfordshire's fund managers in 2016-17 were, on average, more assertive in expressing concerns through votes at shareholder meetings, voting against management on 367 occasions out of 6,625 resolutions, constituting an overall average opposition level of 5.55% (this excludes votes where management provided no recommendation). This represents an approval rating of greater than 94% overall, this is down from the prior period where the general approval rating was greater than 96%. The inner trends, in terms of shareholder proposals and the different resolution categories, are demonstrated and explored more fully below.

The majority of Other related resolutions were proposed by shareholders. Oxfordshire's fund managers opposed these types of proposals to a greater extent than shareholders generally. As was the case in previous years, remuneration related resolutions proved to be the consistently contentious resolution category of those routinely and predominantly proposed by management. The following section analyses the dissent by categories in more detail, by exploring patterns of opposition at sub-categories level.

6.1.2 Dissent on shareholder proposed resolutions

Table 5: Shareholder Proposed Resolutions

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	PROPORTION OF ALL SUCH RESOLUTIONS	OXFORDSHIRE MANAGERS' DISSENT	GENERAL SHAREHOLDERS AVERAGE DISSENT
Sustainability	74	39.78%	29.17%	15.01%
Board	25	0.76%	54.17%	29.17%
Shareholder Rights	22	8.24%	50.00%	27.95%
Remuneration	11	1.26%	27.27%	7.37%
Other	8	80.00%	25.00%	2.72%
Capital	1	0.09%	0.00%	3.75%
Audit & Reporting	1	0.12%	-	-
Total	**142**	**2.14%**	**36.36%**	**18.51%**

"Average Dissent" calculated from resolutions in respect of which shareholder voting results were available. Management provided no recommendation on Audit & Reporting related resolutions.

In terms of Sustainability-related resolutions, the majority related to human capital reporting, political activity (e.g. reporting on lobbying), and miscellaneous specific environmental proposals, largely in the Oil & Gas sector. Much of the rest (14 instances) were related to ethical business practises.

The largest single proportion of the resolutions relating to Shareholder Rights pertained to requests to amend company Bylaws so that a lower threshold is required for shareholders to call a special shareholder meeting. These proposals proved relatively popular with one successful proposal at CVS Caremark Corp.

Requests to amend company voting procedures (this included requests to exclude abstentions from vote counts) were also prominent – all of which were in the US. None of these resolutions were passed. There were two proposals to remove multiple voting rights at Alphabet Inc and United Parcel Service Inc, both of which were unsuccessful.

Regarding Board-related resolutions, Board Composition (14 of the instances of shareholder proposed resolutions) and Election Rules (9) both feature prominently. All resolutions among the Board Composition resolutions – as is the case with the proxy access proposals, all in the US - were requests to adopt a policy of the Chairman being an independent director, which continues to be a significant area of debate in US corporate governance.

The largest proportion of the remuneration related shareholder proposals again came in the US. A range of topics were covered with notable focus on clawback provisions and the introduction of an ESG performance metric.

Oxfordshire's managers voted with Management on 63.64% of all shareholder proposed resolutions, with most support shown for shareholder proposals on board and shareholder rights issues.

Oxfordshire fund managers supported three successful shareholder sponsored proposals, all of these were in the US. A resolution to allow shareholders proxy access was narrowly passed with 50.6% at CIGNA Corp. The two other successful shareholder proposals Oxfordshire fund managers supported were proposals requesting the board to provide enhanced sustainability reporting.

6.2 Board

Board related resolutions constitute over half of all the resolutions voted during the year. This is almost completely down to the high number of director election resolutions on a typical AGM agenda, as can be seen from Table 6 below.

Table 6: Board Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL S/HOLDER VOTES WITH MGT
Directors – Elect	3,178	81.72%	96.44%	97.10%
Directors - Discharge	53	96.23%	94.34%	99.10%
Board Committee	22	86.36%	100.00%	97.91%
Board Composition	14	0.00%	28.57%	66.65%
Election Rules	10	10.00%	70.00%	76.47%
Board Size & Structure	4	100.00%	100.00%	98.34%
Other Board/Director related	3	50.00%	100.00%	94.47%
Directors - Remove	1	100.00%	100.00%	90.05%
Total	**3,285**	**81.43%**	**96.07%**	**96.94%**

** "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.*

The largest differences between the proportion of resolutions where the template identified concerns and the proportion of votes against management involve Director Elections, Election Rules and "Other" (where in each case the fund managers supported management to a greater extent than the template found no issues of concern). In fact, in no cases did fund managers oppose management to a higher degree than the template itself.

In the case of the "Election Rules" resolutions six of the ten resolutions related to allowing proxy access for shareholders, one of which was proposed by the Board of Medtronic plc. The other four resolutions related to voting standards and were all proposed by shareholders.

Table 7: Fund Manager Voting on Director Elections

FUND MANAGER	RESOLUTIONS	VOTED WITH MGT
L&G Investment Management	1,454	97.39%
UBS	732	90.03%
Baillie Gifford	504	99.80%
Wellington	488	99.80%
Total	**3,178**	**96.44%**

Due to their number, Director Elections merit some comparative commentary of their own. Of these, L&G and UBS opposed management on director elections more than shareholders in general (97.39% and 90.03% support, respectively, compared to 97.66% and 95.82% support across shareholders generally). This was also the case for UBS in the prior reporting year where UBS support was recorded at 95.71%, compared to 97.85% support across shareholders generally. The level of support by L&G Investment Management has again dropped to 97.39% from 98.88% in the prior year. Baillie Gifford (99.80%) and Wellington (99.80%) again recorded the uppermost levels of support of management on director elections.

Of those resolutions where the fund managers opposed management on Director Elections (113 resolutions out of the 129 Board related resolutions where management was opposed) the most frequent governance issues Manifest identified were:

Table 8: Board-related governance top- issues

ISSUE	INSTANCES
1 Audit Committee composition concerns	25
2 Nomination Committee composition concerns	18
3 Remuneration Committee composition concerns	13
4 A Nomination Committee does not exist	11
5 The Company has not disclosed a gender diversity target (large/mid cap only)	7

On many occasions, there were multiple concerns with each resolution, and it is likely that the quantum of governance concerns, rather than the substance of each individual concern per se, is what makes the fund managers more likely to register opposition to their re-election. For example, where an individual is not independent and they are the reason why the audit committee is not compliant with the corporate governance code.

The number of resolutions where management was opposed without the identification of governance concerns from Oxfordshire's policy (77 out of 129 instances where management was opposed) would suggest that fund managers can and do apply their own (investment) judgement on these issues.

6.3 Capital

Resolutions relating to the capital structure of a company frequently pertain to investment specific considerations. For that reason, governance good practice considerations are less frequently relevant, other than the extent to which proposals directly affect shareholders rights, where often the rules are well defined and relatively infrequently breached (such as the UK Pre-Emption Guidelines).

Perhaps unsurprisingly, dividend approvals are supported a very large percentage of the time by both fund managers and shareholders in general. One investment consideration on this issue is the balance between short and long-term investment return. Capital returned to shareholders in the short term through dividends cannot then be used by the company for potential revenue-enhancing investment in the future business.

Furthermore, especially in the case of “income” stocks, the reliability of the dividend is a factor in the stock valuation which could therefore fluctuate if the situation changed. Other means of returning capital to shareholders is through share buy-backs.

Table 9: Capital Resolutions Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Issue of Shares & Pre-emption Rights	646	85.76%	87.31%	95.29%
Share Buybacks & Return of Capital	252	88.89%	97.62%	98.58%
Dividends	212	96.68%	99.05%	99.40%
Capital Structure	12	0.00%	100.00%	99.76%
Treasury Shares	12	66.67%	100.00%	97.79%
Bonds & Debt	2	50.00%	100.00%	97.88%
Authorised Share Capital	1	100.00%	100.00%	96.30%
Total	**1,137**	**87.32%**	**92.08%**	**96.86%**

** “Overall Votes with Management” calculated from resolutions in respect of which shareholder voting results were available.*

Similar to previous years, over half of the resolutions in this category related to the issue of shares and pre-emption rights, which often form part of routine business at company AGMs, giving them the on-going permission to issue new shares up to a certain agreed level for the forthcoming year.

The most frequent issues on capital related resolutions where there was a voting concern highlighted were as follows:

Table 10: Capital-related governance top- issues

ISSUE	INSTANCES
1 New share issue authority exceeds 5-50% of existing share capital.	66
2 Proposal to return capital to shareholders.	16
3 Maximum purchase price expressed as a percentage of the market price is more than 0-110%.	10
4 Approval is sought for a share consolidation.	6

6.4 Audit & Reporting

The results data we collected shows that resolutions related to audit and reporting were the least contentious resolution category of all. However, because it includes resolutions which pertain to questions which are routine AGM meeting business in many countries (including the UK), it nevertheless merits some analysis. The resolution relating to Report and Accounts includes the consideration of the sustainability reporting a company makes to its shareholders.

Table 11: Audit & Reporting Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Auditor - Election	338	92.31%	98.82%	97.70%
Report & Accounts	267	39.47%	99.25%	98.94%
Auditor - Remuneration	210	100.00%	98.10%	98.91%
Appropriate Profits	12	91.67%	100.00%	98.48%
Auditor - Discharge	1	100.00%	100.00%	99.89%
Other A&R related	1	100.00%	100.00%	99.17%
Total	**829**	**77.29%**	**98.79%**	**98.42%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

178 resolutions had at least one concern highlighted. Some of the most common concerns that Manifest identified are indicated in the table below. Oxfordshire's fund managers have voted with management 98.79% of the time on resolutions of this type; this is a strong indicator that these are not governance concerns over which the fund managers wish to oppose management with their votes. It also led to insufficient variance between fund managers' voting records to merit further comment.

Table 12: Common Concerns Identified on Audit & Reporting Resolutions

ISSUE	INSTANCES
1 There is no independent verification of the Company's ESG reporting	100
2 No meetings held by the non-executives without the executives present	74
3 The Company has paid a dividend, yet no resolution to approve the distribution has been proposed	29
4 The auditor has been in place for more than seven years and there is no evidence that a recent tender (last 3 years) has been undertaken or is planned	17
5 There is no performance evaluation process in place for the Board, Board Committees, and individual directors	13

6.5 Remuneration

As noted above, Remuneration related resolutions are amongst the most contentious, attracting the highest average level of dissent of all of the resolution types routinely proposed by management.

Table 13: Remuneration Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT*
Remuneration Report	318	99.06%	87.42%	92.19%
Remuneration - Other	222	32.88%	91.44%	91.72%
Remuneration Policy	160	100.00%	87.50%	93.37%
Long-term Incentives	71	47.89%	85.92%	92.24%
All-employee Share Plans	36	91.67%	91.67%	97.53%
Non-executive	20	100.00%	100.00%	95.11%
Short-term Incentives	15	100.00%	100.00%	97.06%
Remuneration Amount (Component, Individual)	8	100.00%	87.50%	95.48%
Remuneration Amount (Total, Collective)	7	85.71%	100.00%	96.07%
Contracts	6	100.00%	100.00%	97.01%
Remuneration Amount (Component, Collective)	3	100.00%	100.00%	95.49%
Remuneration Policy (Other Component)	3	0.00%	33.33%	87.47%
Remuneration Amount (Total, Individual)	3	100.00%	100.00%	79.74%
Total	**872**	**77.52%**	**89.11%**	**92.69%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

The most contentious remuneration votes in terms of Oxfordshire's managers, not including "Remuneration Policy (Other Component)", were resolutions to approve the remuneration report, the remuneration policy and long term incentives. Resolutions within the "Remuneration - Other" were for the most part resolutions regarding the frequency at which a company will put forward its remuneration report, this occurred in the US, although occasionally resolutions of this type are put forward in Canada. All three resolutions categorised under "Remuneration Policy (Other Component)" were proposed by shareholders and predominately related to introducing clawback provisions.

Broken down by fund manager, the voting on remuneration resolutions does show some patterns.

Table 14: Fund Manager Voting On Remuneration Resolutions

FUND MANAGER	RESOLUTIONS	VOTED WITH MGT
L&G Investment Management (Pooled Instrument)	353	85.84%
UBS (Pooled Instrument)	234	94.02%
Wellington	164	90.85%
Baillie Gifford	121	86.78%
Grand Total	**872**	**89.11%**

L&G, Wellington and Baillie Gifford opposed management to a higher degree than shareholders in general on remuneration issues. L&G were the fund manager to vote in line with management to the least extent (voted with management 85.84% of the time).

Table 15: Common Concerns On Remuneration Resolutions

CONCERN	INSTANCES
1 No reference to performance and/or time pro-rating when options vest in the event of a change in control.	17
1 The minimum ranking required for vesting is less than median.	17
3 Long-term incentive pay opportunity.	11
4 Aggregate variable pay opportunity.	5
5 Total dilution from all schemes over a ten-year period will exceed 10%.	4

Table 15 shows the most common concerns from Oxfordshire's policy template associated with remuneration-related resolutions over the year. Many of these issues have been prevalent on a consistent basis over time.

Manifest's Executive Remuneration Assessment Grade is a high-level rating system which generates a numeric score (between 1 and 250) and an alphabetical grade from A-F. It is a wide-ranging analysis which encompasses all of the other remuneration concerns in Oxfordshire's policy template, examining issues such as linkage of incentives to company strategy, quantum, structure, performance measures and comparator groups, contracts, dilution and pensions and benefits. It is a reliable forecast for general shareholder dissent, and a helpful indicator of the contentiousness (or otherwise) of the remuneration arrangements overall.

The quantum of bonus and long-term incentive payments is possibly the most widely debated contentious issue in the corporate governance of public listed companies. A large proportion of companies were found to have a high proportion of incentive pay relative to salary - a possible indication of over-encouraging risk-taking.

The absence of performance conditions for the exercise of awards or options is also noteworthy, especially where the maximum potential pay is high. This may suggest an element of payment of high remunerative incentive pay without setting down sufficient substantive performance targets in order to obtain it. This means that not only is the remuneration structure suggesting the over-encouragement of risk-taking, investors are left in the dark as to what risks may be being over-encouraged.

The UK Enterprise and Regulatory Reform Bill amendment in October 2013 requires companies to put their remuneration policy to a forward-looking binding vote at least every three years, in addition to the backward-looking annual advisory vote on the report on the implementation of the policy during the year. Once approved companies can only provide remuneration that is consistent with the policy unless they obtain shareholder approval at a general meeting to a revised policy or to a specific payment. Due to the three-year cycle of policy approvals, a large number of companies put forward new policies during the reporting period.

The introduction of the vote on Remuneration Policy in the UK has certainly had an effect on shareholder voting. With a lot of investors adopting a "wait and see" approach with regard to policy proposals (preferring to see how the Regulations bed in over 3-5 years), all but the most controversial policy proposals received respectable levels of support. By contrast, where opposition was expressed, it was often at a very high level, suggesting a more targeted approach on the part of investors.

6.6 Shareholder Rights

The shareholder rights category covers resolutions which relate specifically to the ability of shareholders to exercise some element of their rights. They therefore encompass not only rules about shareholder voting, but also things such as the rules according to which a shareholder (or shareholders) may requisition a meeting, a resolution at a meeting, the way in which a shareholder meeting is conducted and shareholder rights in the event of a (hostile) takeover situation.

They are important because they essentially relate to the extent to which investors are able to mitigate themselves against the risk of third parties making decisions which affect their investment in the company.

Table 16: Shareholder Rights Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
General Meeting Procedures	204	94.61%	97.55%	93.12%
Other Articles of Association	38	100.00%	97.37%	98.04%
Shareholder Rights	12	10.00%	50.00%	74.66%
Meeting Formalities	8	100.00%	100.00%	97.79%
Takeover Governance	3	0.00%	0.00%	83.80%
Anti-takeover Provision	2	100.00%	50.00%	75.45%
Total	**267**	**91.32%**	**94.34%**	**92.99%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

Frequently, many of the issues in this category are relatively straight forward and many of the resolutions where there is complexity it is down to the proposal being made by shareholders, therefore inevitably likely to introduce some question that is comparatively out of the ordinary.

For example, a large number of the 'General Meeting Procedures' resolutions relate to the requirement in the UK for companies to request a routine permission to retain the right to call a non-AGM General Meeting at less than 21 days' notice. In the UK context, it is a simple consideration – to allow companies to retain the ability to do something they have had the right to do for many years, provided they do not take advantage of it. Oxfordshire's fund managers have voted "For" management to a greater extent than shareholders in general simply because foreign shareholders are more frequently opposing 14 day notice period permissions, simply because their voting mechanisms are not efficient enough to be able to vote a meeting called a less than 21 days' notice.

The majority of the issues that Manifest research identified were to do with the nature of the resolution, rather than the substance - for example that the resolution is proposed by shareholders, or that the board does not make a recommendation on the resolution.

Of the 15 resolutions where fund managers opposed management on Shareholder Rights related considerations, 10 were shareholder proposed resolutions. This suggests that, when it comes to shareholder rights protections, Oxfordshire's managers are very well motivated to protect their interests and those of their clients.

6.7 Corporate Actions

Whilst far less numerous, some statistical significance can be attributed to some of the Resolution Sub-Categories pertaining to Corporate Actions, which can be put to effect to explore why they number among the most contentious resolution sub-categories for Oxfordshire's fund managers.

Table 17: Corporate Actions Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Transactions - Related Party	19	63.16%	84.21%	95.82%
Transactions - Significant	14	85.71%	100.00%	97.05%
Transactions - Other	3	33.33%	100.00%	95.46%
Investment Trusts & Funds	1	0.00%	100.00%	97.47%
Change of Name	1	100.00%	100.00%	98.97%
Other Corporate Action	1	100.00%	100.00%	85.56%
Total	**39**	**69.23%**	**92.31%**	**96.12%**

** "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.*

The majority of Corporate Actions considerations are often investment or company-specific, such as related party transactions, schemes of arrangement, disposals and acquisitions. Definitions of what might be 'good' or 'bad' decisions or perspectives in this context becomes decidedly subjective, as do comparisons of fund manager voting with management recommendations.

What can be observed is that Oxfordshire's fund managers are often supportive of corporate actions, with the exception of related party transactions which may entail significant potential conflicts of interest.

6.8 Sustainability

With the exception of political activity and two sustainability report votes, all resolutions in this category were proposed by shareholders, generally asking companies to either improve their reporting of, or performance on, specified sustainability issues. Because of this, meaningful routine categorisation of these issues is very challenging, because the specific content of a proposal is defined by the proponent and could be about anything, from asking the company to close specific operations to requesting a one-off or regular report on employee conditions.

It is also not uncommon for most investors to vote with management on such issues unless the issue at hand is either one for which the investor (i.e.; fund manager) has a particular affinity or was involved with the tabling of the resolution itself. Although, this year, relatively high levels of shareholder dissent have been recorded.

Table 18: Sustainability Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Political Activity	126	3.17%	92.06%	94.22%
Human Rights & Workforce	26	0.00%	88.00%	92.17%
Environmental Practices	19	0.00%	52.63%	76.33%
Ethical Business Practices	8	0.00%	71.43%	88.87%
Charitable Engagement	4	0.00%	100.00%	97.35%
Sustainability Reporting	2	50.00%	100.00%	88.26%
Animal Welfare	1	0.00%	100.00%	70.31%
Total	**186**	**2.72%**	**86.96%**	**91.92%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

Under European jurisdictions, companies are required to seek approval for "political donations", which encompass more than donations to specific political parties, and include expenditure towards the realisation of political aims such as political lobbying. Oxfordshire's fund managers opposed three of the resolutions seeking authorisation to make political donations at BT Group plc, Just Group plc and NEX Group plc. The fund managers also opposed management when the management recommendation was to vote against a shareholder proposal to request the Board to prepare a report to shareholders on lobbying at a number (4) of companies in the US.

7 Aggregate Analysis

Manifest has also assessed the aggregate voting patterns undertaken by the fund managers, the additional meetings to those considered in the detailed analysis pertain meetings in emerging or developing markets (including Far Eastern and African markets). Aggregate analysis does not drill down to identifying governance concerns on individual resolutions, but does look at the aggregate patterns of voting decisions taken by the fund managers. This is largely due to the fact the disclosure practices in these markets is traditionally not as high as we are used to in Europe and the US in particular, thereby hindering the statistical reliability of detailed analysis.

7.1 Baillie Gifford

Baillie Gifford voted on 1,174 resolution all within the UK with an average of 92.59% support for management, as well as their average support of management on each. It shows a very similar level of support for management detailed in Section 5, 92.59% compared to 92.40%, which might not be a surprise given the UK based companies Baillie Gifford were voting at.

Table 19: Baillie Gifford Voting By Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	168	100.00%
Board	529	99.81%
Capital	261	72.80%
Corporate Actions	7	85.71%
Remuneration	126	88.89%
Shareholder Rights	57	100.00%
Sustainability	26	100.00%
Total	**1,174**	**92.59%**

What is interesting is the breakdown of the average support of management by resolution category compared to that in Section 6. Baillie Gifford have supported management to a lesser degree on Capital and Corporate Actions, in the case of Capital resolutions by 27.20% and Corporate Actions by 14.29% - although readers should note that due to the low number of resolutions within the latter Corporate Actions category a smaller number of contrary votes will have a higher contribution to the dissent figure. Within the Capital category Baillie Gifford voted against resolutions pertaining to share issue authorities where the authority sought was deemed to not be in-line with Baillie's view on good practice.

Baillie also voted against 11.11% of remuneration related resolutions. This shows that Baillie take an active stance on voting on remuneration issues – this is within the context of the UK generally having better remuneration practices when situated in a global context.

Baillie Gifford supported all resolutions pertaining to the categories of Audit & Reporting, Shareholder Rights and Sustainability – within a UK context such resolutions are often considered routine – and supported Board resolutions to a slightly higher degree than that seen in Section 6.

7.2 UBS

Table 20: UBS Aggregate Resolutions Voting By Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Australia	20	100.00%
Austria	16 (15)	75.00%
Bermuda	16	93.75%
Canada	26	88.46%
Cayman Islands	6	100.00%
China	10	80.00%
France	65	86.15%
Germany	19 (17)	94.74%
Hong Kong	32	71.88%
Indonesia	7	71.43%
Ireland	51	96.08%
Italy	26	76.92%
Japan	98	89.80%
Jersey	49	91.84%
Netherlands	74 (67)	97.30%
Russia	74	100.00%
South Africa	34	76.47%
South Korea	8	62.50%
Spain	23 (22)	91.30%
Taiwan	6	100.00%
United Kingdom	150	98.67%
United States	636 (635)	90.25%
Total	**1,446 (1,434)**	**90.87%**

Readers should note that there were 12 non-voting resolutions in the UBS portfolio, the number of voted resolutions (meaning the total resolutions minus non-voting resolutions) are indicated in brackets.

Additionally, there were 36 resolutions where management provided no recommendation, 33 were in the Russian market, two in the French market and one in the Italian market. For the purposes of calculating the proportion of resolutions in which UBS supported management both the non-voting resolutions and resolutions with no management recommendation have been excluded from the calculation, meaning in total 1,398 resolutions were included in the calculation.

UBS's overall support level stands at 90.87%. Not dissimilar to Baillie Gifford, caution should be used regarding the statistical significance of this data when making inferences at the market level due to the varied count of resolutions between markets.

As discussed earlier in the report the global nature of UBS's holding may impact on voting patterns between markets due to a variety of governance standards– this is demonstrated by considering UBS's level of support in the UK market standing at 98.67%. UBS have opposed resolutions within the French market on a frequent basis (13.8% of the time) – the French market is the sixth most populated market in terms of the number of resolutions voted by UBS. Therefore, although one should be wary from making inferences the data does indicate that UBS has taken a progressively more active approach in markets where there is relatively lower levels of disclosure and governance standards.

Table 21: UBS Voting By Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	160 (154)	96.25%
Board	851	92.83%
Capital	122 (121)	83.61%
Corporate Actions	23	73.91%
Other	5 (4)	80.00%
Remuneration	195 (194)	91.79%
Shareholder Rights	46 (43)	78.26%
Sustainability	44	72.73%
Total	**1,446 (1,434)**	**90.87%**

Table 21 above shows the number of votable resolutions in each category type voted by UBS, as well as their average support of management on each. Consistent with the analysis in Section 6, of the resolutions routinely proposed by management UBS opposes management more frequently on Remuneration and Corporate Actions issues.

When considering the Corporate Actions resolution categories UBS's level of support is explained largely because many of the resolutions relate to related party transactions. Such resolutions may not always be considered to be in shareholder's best interests.

It is also worth mentioning that 27.27% of resolutions within the Sustainability category which UBS voted contrary to management recommendation were shareholder sponsored resolutions.

7.3 Wellington

Table 22: Wellington Aggregate Resolutions Voting By Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Canada	16	100.00%
Germany	4	100.00%
Ireland	19	100.00%
Mexico	6	66.67%
Sweden	23	100.00%
Switzerland	62 (46)	97.22%
United Kingdom	24	95.83%
United States	600	97.83%
Total	**754 (728)**	**97.63%**

The majority of resolutions in the Wellington portfolio were in the United States market, all other markets had less than 100 resolutions. UK, Switzerland and Mexico recorded lower average level of voting with management in comparison to Wellington's average of 97.63% support for management - the number of resolutions voted in these markets constituted a small number of the total, particularly Mexico, so should be discounted as a statistical pattern. By comparison with the data in the UBS section of the report, Wellington's dissent levels towards UK companies are higher while UBS's dissent at US companies was higher.

It could be considered unusual to see United Kingdom's comparatively high dissent, particularly compared to the United States market, however this may be an indication of voting playing an important part of shareholder engagement within this market for Wellington – it is also worth noting that all of Wellington's oppositional votes in the UK market were situated within the Shareholder Rights category and concerned a Board's request for an authority to set general meeting notice periods at 14 days.

Wellington did not vote at one meeting within Switzerland. Management provided no recommendation on the shareholder proposals at Nordea Bank - Wellington voted against all of these proposals.

Table 23: Wellington Aggregate Voting Patterns By Resolution Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	55 (53)	100.00%
Board	511 (495)	98.99%
Capital	19 (16)	87.50%
Corporate Actions	2	100.00%
Other	3	50.00%
Remuneration	100 (97)	95.79%
Shareholder Rights	25 (23)	85.71%
Sustainability	39	94.29%
Total	**754 (728)**	**97.63%**

Table 23 shows the overall patterns of support for management shown by Wellington broken down by resolution category across all of the resolutions in the aggregate analysis.

Noteworthy in the data set is the change in the level of support for management on Shareholder Rights resolutions to that in Section 6. Conversely, there is a relatively higher level of support (95.79%) for management on resolution in the Remuneration category.

7.4 Legal & General Investment Management

As Legal & General's mandate is limited to UK equities there was not any additional corporate meetings to analyse to those already considered in the detailed analysis.

8 Conclusions

This is the third annual report Manifest has produced for the Oxfordshire Pension Fund. Consistent with the 2015/16 report on voting, there are patterns in common with the previous year's report. This is because, by and large, corporate governance risk-related issues change over the long term, rather than due to short term pressures. This means that the issues raised in this report are likely to remain similar in dynamic in the short term; though over the longer term positive development should be observable. As is evidenced with the example of shareholder proposed resolutions in the US, specific themes can be and are raised with companies on a campaign/ strategic basis which, over time, contribute to positive progress (for example, proxy access and double voting rights).

We expect to see overall trends of gradual improvement in corporate governance standards continuing, but this is mitigated by the fact that some companies may 'lapse' and new companies may enter the market carrying with them the legacy of private ownership governance practices which also may fall short of the standards expected of publicly listed companies.

Additionally, developments in the governance risk profile across equity asset allocation caused by changes to investment mandates from year to year may also have an effect upon the overall picture. Consequently, although we expect trends to improve over the long term, positively identifying them year on year is much harder to do and improvements can be mitigated by the fact that some companies may 'lapse' and new companies may enter the market carrying with them the legacy of private ownership governance practices which also may fall short of the standards expected of publicly listed companies Further the change in the size of the dataset can also have an impact on analysing year-on-year governance trends.

For this reason, readers should not expect to see a marked change in companies' governance standards from year to year. What is more important is to understand how the fund's managers respond and react to identified concerns, and fund manager vote monitoring plays a central role in understanding this question.

In terms of issues specific to this report, our analysis:

- Highlights the most common Board related policy issue was a shortfall in independent directors on boards and board committees;
- Shows a number of companies whose governance of sustainability as a corporate discipline could be potential cause for concern due to lack of independent verification. Companies that manage sustainability well tend to be better run;
- Illustrates that political donations is seldom a matter of concern for Oxfordshire's fund managers, however fund managers are supportive of shareholder proposals relating to political donations; and
- Identifies that Sustainability and Remuneration related resolutions are the resolution types Oxfordshire's fund managers oppose management on most often, followed by Capital and Corporate Actions related resolution.

Taken as a whole, there is evidence to suggest that voting is not the only medium through which Oxfordshire's fund managers may express concern about important governance issues. The results of the analysis show that fund managers are voting with management more often than shareholders in general, however there are some variances between the respective fund managers.

Whereas Wellington has supported management more than most shareholders, L&G, Baillie Gifford and UBS on the other hand supported management to a lesser extent than most shareholders. To the extent that voting is not the only medium Oxfordshire's fund managers use to raise concerns with portfolio companies, this report enables Oxfordshire to further enquire of fund managers as to how these other issues are being identified, raised and resolved with portfolio companies, and whether resources are sufficient to adequately carry out this important work.

However, one should avoid falling into the trap of using voting records as a substitute for understanding whether a fund manager is an 'active' owner or not. Voting is but one (albeit important) tool in the ownership toolbox, which sits alongside regular monitoring of governance issues through research and engagement by the fund manager.

Oxfordshire fund managers supported three successful shareholder sponsored proposals, all of these were in the US. A resolution to allow shareholders proxy access was narrowly passed with 50.6% at CIGNA Corp. The two other successful shareholder proposals Oxfordshire fund managers supported were proposals requesting the board to provide enhanced sustainability reporting.

There were four defeated management proposed resolutions in the collective Oxfordshire's fund manager portfolio, three of which the fund managers were non-supportive of. L&G opposed the defeated remuneration report at Pearson. Wellington voted against the advisory vote on executive remuneration at McKesson Corp. UBS voted against the election of Julien Thollot as an employee shareholder representative at Renault, it should noted that the position of employee shareholder representative was contested and UBS voted for the successful candidate.

There are some key regulatory developments which come into play during 2016/17 that may have a bearing on next year's report. Further details on these developments may be found in the appendix, which covers:

- UK corporate governance reform;
- UK Stewardship Code developments;
- EU Shareholder Rights Directive;
- Human Capital initiatives;
- PLSA Guidelines;
- Investment Association Guidelines; and
- Climate Change initiatives.

Whilst there may be other governance themes where immediate positive progress is harder to determine, we are confident that continued monitoring should enable identification of further progress over the medium to long term. Additionally, with ever increasing pressure upon institutional investors and their asset managers for transparency about ownership processes, on-going monitoring of governance risk and voting activity remains a vital part of the activity of any responsible investment-minded investor.

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9 Hot Governance Topics

The following is largely a UK-focussed summary of governance developments. For a more detailed précis of governance developments globally, please refer to Manifest's report "Global Corporate Governance and Regulatory Developments 2016" which is available upon request.

9.1 UK Corporate Governance Reform

In the UK, several government-led corporate governance consultations were launched during 2016. Notable consultations include the Parker Review which focuses on ethnic diversity and the Hampton-Alexander Report which succeeds the now concluded Davies Review on gender diversity. The Parker Review recommended for each FTSE100 board to have at least one non-white director by 2021 and each FTSE250 board by 2024. The Hampton-Alexander Initial Report endorsed the Davies Review Five-Year Summary's recommended target of 33% representation of women on FTSE350 boards by 2020 and called for FTSE100 companies to have at least 33% of their executive pipeline positions filled by women by 2020.

The most discussed consultation is the Government's widely trailed Corporate Governance Reform Green Paper. The Green Paper, published in November 2016, focuses on three areas: executive pay, strengthening the employee and wider stakeholder voice, and extending current corporate governance regulations to private business.

The Green Paper followed the Business Energy and Industry Strategy (BEIS) Select Committee's inquiry on corporate governance launched in September 2016. The inquiry, set up in response to corporate failings at retailers Sports Direct and BHS and Prime Minister Theresa May's speech on governance reform, focused on executive pay, directors' duties, and the composition of boardrooms including worker representation and gender diversity, and was separate from the Green Paper.

Following the inquiry, the Select Committee published its Corporate Governance Report in April 2017 which set out a raft of measures on corporate governance designed to improve trust in British business. One significant recommendation was the call for LTIPS to be phased with no new LTIPs to be agreed from the start of 2018. The Committee also called for the introduction of pay ratio reporting and for companies to set out their "people policy" – their rationale the employment model used and their overall approach to investing in and rewarding employees at all levels. The Committee whilst supportive of worker Board representations did not consider this should be made a requirement, the report did however recommend for employee representation on remuneration committees to be included in the UK Corporate Governance Code.

In September 2017, the government produced a response to its Green Paper consultation indicating that many of its proposals can be achieved through secondary legislation and changes to the UK Corporate Governance Code.

The government will require companies to publish pay ratios between chief executives – based on their total remuneration – and their average UK worker through the introduction of secondary legislation.

The government had suggested tougher voting requirements in respect of shareholder votes on remuneration but softened its stance on this. Instead the government invited the FRC to revise the UK Code to set out the steps that companies should take when they encounter significant shareholder opposition to executive pay. Additionally, the government asked the Investment Association (IA), which represents fund managers, to establish a public register of listed companies encountering shareholder opposition of 20% or more to executive pay and other resolutions, along with a record of what these companies say they are doing to address concerns.

The government also asked the FRC to consult on a revision to the UK Code and its supporting guidance to give remuneration committees greater responsibility for demonstrating how pay and incentives align across the company, and to explain to the workforce each year how decisions on executive pay reflect wider pay policy.

The FRC were also asked to consult on the development of a new principle establishing the importance of strengthening the voice of employees and other non-shareholder interests at board level as an important component of running a sustainable business. As a part of developing this new principle, the government said it would invite the FRC to consider and consult on a specific provision requiring premium listed companies to adopt, on a "comply or explain" basis, one of three employee engagement mechanisms: a designated non-executive director; a formal employee advisory council; or a director from the workforce.

In December, the FRC launched a consultation on proposals for a revised corporate governance code and published a draft revised code for comment. The revised code has been substantially recast and simplified as part of the FRC's intention to shorten the code to give it greater impact. In addition, the FRC is also consulting on specific changes to the Code as requested by the government's response to the green paper consultation. The consultation closes 28 February 2018.

9.2 UK Stewardship Code Developments

In November 2016, the FRC released its Stewardship Code tiering. The FRC has categorised signatories to the Code into three tiers based on the quality of descriptions of signatories' approach to stewardship and their explanations in accordance with the 'comply or explain' basis of the Code. Tiering distinguishes between signatories who report well and display their commitment to stewardship, and those where reporting improvements are necessary. The FRC announced in August 2017 that it had removed its tier three category and any tier three signatories that had not improved their reporting have been removed from the list of code signatories. The current code was published in September 2012 and will be next revised in 2018 following a planned consultation process.

The UK Code has been influential since its introduction in 2010 and codes have since been launched in a number of other countries with the UK Code often cited as a key inspiration. In 2016 codes were launched in Brazil, Denmark, Hong Kong, Singapore, Taiwan, and Thailand. Whilst in 2017 codes have been launched in India, Kenya, and South Korea. Investor-led initiatives have also launched codes - the Investor Stewardship Group, a coalition of US-based and international investors, produced a set of six stewardship principles to guide fund managers and the Canadian Coalition for Good Governance also published its own Code in 2017.

9.3 EU Shareholders Rights Directive

The European Union has adopted the latest revision to its shareholder rights directive. Following approval by the European Parliament in March, the European Council formally adopted the directive at the beginning of April 2017. Member states now have up to two years to incorporate the new provisions into domestic law. Key recommendations include:

- Shareholders should have the right to vote on company remuneration policies. Member states may decide whether the vote is on a binding or advisory basis;

- Companies should be able to identify their shareholders and obtain information regarding shareholder identify from any intermediary in the chain that holds relevant information to facilitate the exercise of shareholders' rights;

- Increased transparency of voting and engagement policies of institutional investors. They will have either to develop and publicly disclose a policy on shareholder engagement or explain why they have chosen not to do so. Proxy advisers will also be subject to transparency requirements and will be subject to a code of conduct; and

- Require companies to be more transparent about related party transactions that are most likely to create risks for minority shareholders at the latest at the time of their conclusion.

9.4 Human Capital Initiatives

In 2016 the PLSA published a toolkit for investors to help them engage with investee companies. The toolkit built on the report published by PLSA in 2015 that made the case that a company's strategy for recruiting, training, developing, retaining, and inspiring its workers is fundamental to its ongoing success. The toolkit outlines the type of workforce-related information investors should look for and how to find it, and calls for investors to ask more questions about the workforce in face-to-face meetings with company representatives.

As part of the PLSA's ongoing project on human capital reporting the PLSA published a report in collaboration with the Lancaster University Management School in November 2017 examining FTSE100 reporting on employment models and working practices. The report found that while 64% of FTSE100 companies provide meaningful narrative commentary on the composition of their workforce, just 4% of companies provide a breakdown of their workforce by full time and part time workers. The research also found that all FTSE 100 companies detail their CEO's pay relative to the other executive directors, but only 7% provide the pay ratio between the chief executive and the average or median worker which will soon be a legal requirement.

In 2016 the IA unveiled an industry-wide Productivity Action Plan to boost the UK economy through long-term investment which included a recommendation to raise the profile of human capital management. The IA has since jointly published guidance with the Institute of Chartered Standard Accounts setting out ten principles to guide the way boards understand and weigh up the interests of their stakeholders when making strategic decisions.

Other notable UK investor initiatives have been the Association of Member Nominated Trustees Red Lines Voting Policy, which includes guidelines on the workforce, trustee guidance produced by the Local Authority Pension Fund Forum, and the Workforce Disclosure Initiative organised by the pressure group ShareAction.

In the US, the Human Capital Management Coalition was formed in 2013 with a membership of 25 institutional investors, which aims to understand and improve how human capital management contributes to the creation of long-term shareholder value, and in 2017 the Committee on Worker's Capital released guidelines for assessing company behaviour on labour issues.

9.5 The Pension and Lifetime Savings Association Updates Guidelines

The Pension and Lifetime Savings Association's (PLSA) published its 2018 Corporate Governance policy and Voting Guidelines in January 2018. A new section on sustainability has been added to the guidelines. This follows guidance published by the PLSA in 2017 for pension funds on the economic implications of climate change, highlighting research showing that failure to mitigate global temperature increases will have devastating environmental, social, and economic consequences.

The PLSA's sustainability guidelines recommend that where shareholder attempts have failed to encourage companies in relevant sectors to provide a detailed risk assessment and response to the effect of climate change on their business, they should not support the re-election of the chair. The guidelines also calls for shareholders to consider voting against the annual report or the re-election of the chair where they believe that key stakeholder relationships are being neglected and the board is not adhering with the spirit of requirements to have for the concerns of stakeholder constituencies.

The PLSA's 2017 AGM Voting Review found relatively steady levels of shareholder dissent at company AGMs for the past two years, with roughly one fifth of companies (FTSE 250: 56 and FTSE 100: 17) experiencing significant dissent over at least one resolution at their AGM. Over the longer term, the report reveals a fall in shareholder dissent since its peak in the aftermath of the financial crisis and the subsequent focus on governance that this entailed.

9.6 The UK's Investment Association Updates Guidelines

In May 2017, the IA published guidance on long-term reporting. The publication follows the IA's call in October 2016 to abolish quarterly reporting in favour of meaningful long-term reporting, and sets out the IA's members' expectations on company disclosure in the areas of business models and long-term reporting, productivity, capital allocation, material environmental and social risks, and human capital and culture. The IA is encouraging all UK-listed companies to adopt the guidance as soon as possible and will monitor the implementation of the guidance though analysis of annual reports for years ending on or after 30 September 2017.

The IA has also amended its Principles of Executive Remuneration ahead of the 2018 voting season and sent an open letter to remuneration committee chairmen of FTSE350 companies detailing the changes.

The letter highlighted three changes:

- Companies should disclose relocation benefits at the time of appointment and be for a limited time.
- Annual bonus performance targets should be disclosed within 12 months of a bonus payment and deferral is expected for any bonus opportunity greater than 100% of salary.
- The section on long term incentives has been reorganised and specific examples provided setting out members' attitudes to schemes such as a preference for restricted share awards to have a performance underpin.

The IA also reemphasised its focus on pay restraint and transparency including a call for the voluntary disclosure of the ratio of CEO to employee pay in 2018 ahead of anticipated government secondary legislation. The forward to the principles has also been updated and now specifically references companies with an AIM listing, although it does state the guidance is predominantly for companies with a main market listing.

9.7 Climate Change Initiatives

Climate change has been one issue of keen focus from both investors and regulators in recent years and following the Paris climate agreement investors cannot overlook the implications for investment risks and returns amidst a shift in market sentiments towards a transition to a low-carbon economy – how companies are responding to climate change risks is important to investors.

Some of the recent climate change related initiatives undertaken include:

- The Institutional Investors Group on Climate Change published a guide setting out the threats facing the utilities sector and investor expectations for how companies must act to adapt their business strategies and reduce carbon emissions;
- In April 2016, a group of global investors, representing $3.6 trillion in assets under management, released an investor statement of support for US and Canadian efforts to limit methane emissions from the oil and gas sector. This represents more than a doubling of support since July 2015;
- A shareholder position paper signed by representatives from the Local Authority Pension Fund Forum, Royal London Asset Management, Sarasin & Partners LLP, Rathbone Greenbank Investments, and the Church of England called for companies to assess and report their climate-related risks within their annual report to shareholders;
- Climate change continues to be high-profile shareholder proposal topic. During 2016 proposals by the Aiming for A coalition at UK mining companies Rio Tinto, Anglo American and Glencore calling for better climate-risk reporting were passed after receiving management backing. During 2017 shareholder proposals calling for ExxonMobil and Occidental Petroleum to explain how climate change could affect their business were successful;
- The Caring for Climate Initiative set by the UN Global Compact saw over 100 major companies, pledge to set emissions reduction targets in line with what scientists say is necessary to keep global warming below the threshold of 2°C using criteria approved by the Science Based Targets initiative;
- Research published by the Carbon Tracker Initiative suggested that as countries move to meet the 2°C target major oil companies could produce better returns for shareholders and company performance if they reduce their exposure to high-cost, high-carbon projects;
- A 2016 review by the Climate Disclosure Standards Board of FTSE350 companies' environmental reporting and greenhouse gas emission disclosures in annual reports found that 41% of companies considered environmental risks in their analysis of the company's principal risks; 87% of companies disclosed environmental policies; and 27% made use of environmental KPIs;
- The Transition Pathway Initiative (TPI) was launched in 2017, TPI is an assessment structure related to the requirements of the Paris Agreement for companies of those countries which have pledged their commitment to reduce their carbon emissions.
- The G20's Task Force on Climate-Related Financial Disclosures has published guidelines for companies on the disclosure the financial impact of climate-related risks and opportunities.

Topical updates are available throughout the year via the Manifest Quarterly Bulletin and the weekly blog, Manifest-I.