



BRIEFING

2019 UK Voting Review

October 2019

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Minerva helps investors and other stakeholders to overcome data disclosure complexity with robust, objective research and voting policy tools. Users can quickly and easily identify departures from good practice based on their own individual preferences, local market requirements or apply a universal good practice standard across all markets.

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1. INTRODUCTION

This Minerva Analytics briefing looks at voting trends and shareholder dissent at the top 350 UK companies. The briefing identifies the number of companies that received more than 20% on a resolution and the long-term trends in dissent, as well as examining resolution outcomes and shareholder proposals.

While there has been much debate and headlines over institutional investors taking an active stance to voting and holding companies to account, particularly on executive remuneration, **there has not been an increase in the number of resolutions receiving significant dissent or in the number of defeated resolutions.**

“Contrary to the lobbying and speculation about shareholder voting, UK quoted companies continue to receive overwhelming support at the overwhelming majority of shareholder meetings.”

1.1 KEY TAKEAWAYS

- **2019 – A Quieter Season:** 2019 has been a quieter AGM season for the largest 350 UK companies. There have been fewer high dissent resolutions and fewer defeated resolutions. Despite a quieter AGM season, executive pay and director elections remain areas of investor focus.
- **20% Dissent Down:** There were 126 resolutions that received dissent of 20% or more, **down** from 148 last year
- **Average Dissent Stable:** Average shareholder dissent in 2019 currently stands at 2.95%, **while slightly up it is largely unchanged** from last year’s dissent of 2.91%.
- **Almost half of dissent is “repeat dissent”:** 68 companies have received shareholder dissent of 20% or more on at least one resolution in 2019, compared to 82 in 2018. Of the 68, 47.06% were “repeat offenders”, i.e. also received high dissent in 2018, indicating a breakdown in company-investor engagement and a failure to address concerns.
- **Director elections and Remuneration dominate 20% Dissent:** Board resolutions accounted for 41.27% of all high dissent resolutions and remuneration for 32.54%.
- **Resolutions Withdrawn:** Five resolutions proposed by management were defeated and 16 were withdrawn; this compares to 10 defeated resolutions and 12 withdrawn resolutions in 2018. The defeated resolutions consisted of three share issue authorities, one authority to call a general meeting on not less than 14 days’ notice, and one remuneration report.
- **Shareholder Resolutions on the Rise:** There were 21 resolutions put forward by shareholders in 2019, of which one was successful. In 2018 there were five shareholder proposals with two successful. The 2019 successful proposal related to climate change disclosures.

1.2 METHODOLOGY

For the purposes of this report, dissenting votes are those **purposely** not cast in favour of a management proposal and include both 'abstain' and 'against' votes. Under UK company law, abstentions currently have no legal authority, however over many years they have become a strong indicator of shareholder sentiment and are used to demonstrate that they cannot fully offer their support.

Companies have been classified as being a top 350 company as at the date of their AGM during this period.

The period 2010 to 2018 covers a full year's data while 2019 includes 01 January to 30 September. Voting results as collected by Minerva as at 03 October 2019.

1.3 WHAT IS 'SIGNIFICANT' DISSENT?

The 2018 UK Corporate Governance Code recommends that when 20% or more of votes have been cast against the board recommendation for a resolution, the company should explain, when announcing the voting results, what actions they intend to take to consult shareholders in order to understand the reasons behind the result. An update on the views received and actions should be published no later than six months after the shareholder meeting. The board should then provide a final summary in the annual report and, if applicable, in the explanatory notes to resolutions at the next meeting, on what impact the feedback has had on board decisions.

What is – or should be classified as Dissent?

The definition of "dissent" can create problems. Does it mean 'against' votes only, or 'abstain' votes as well? Although abstentions are not currently votes in UK law, many investors positively abstain to indicate their lack of support for management. Using a sporting metaphor, a positive abstain is a "Yellow Card" to send a warning to management or as part of an engagement escalation strategy. In some situations, an investor will abstain in the first year and vote against in the second year if the company does not address their concerns.

The [GC100 and Investor Group's remuneration reporting guidance](#) does suggest companies could consider viewing abstentions in combination with votes against exceeding 20% as an indication of a low level of support that the company may wish to comment on and address.

However, many companies do not count abstentions in the votes cast as for or against a resolution, as permitted under UK Law. This may mean that by a board's count, dissent on a resolution is below the 20% threshold for comment in the Code, despite being considered significant by others. Considering overall levels of dissent on all resolutions, either at the median or mean average rate, Minerva has always regarded even 10% total dissent as representing something that boards and investors should look at closely.

2. OVERALL DISSENT

2.1 OVERALL DISSENT

Average overall dissent across all resolutions considered at shareholder meetings of the UK's largest 350 companies was 2.95%. This indicates that shareholders overwhelmingly support management, with an approval rating of more than 97%.

Voting against a resolution may be seen as the ultimate sanction against management. While the AGM is the open forum for shareholders, it is also last chance saloon. A negative vote is, in reality, a failure of dialogue and engagement. Whilst historically shareholders have made tactical use of "abstain" in engagement and vote escalation strategies, only a minority of votes were cast as abstentions in 2019.

Figure 1: Shareholder Dissent in the UK Top 350

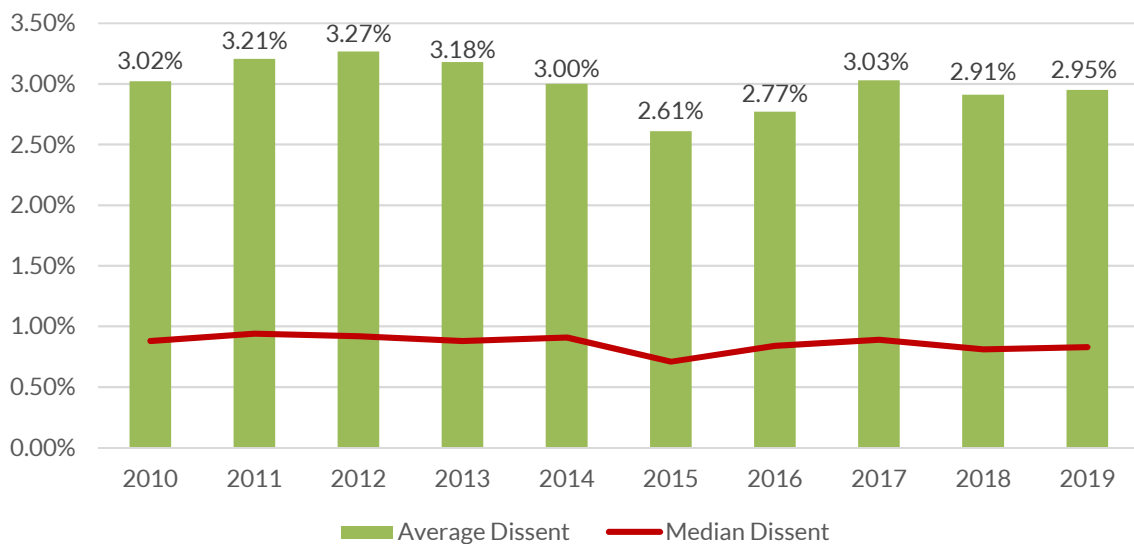


Figure 1 above illustrates the mean and median yearly dissent on resolutions over time. The results show that dissent at the top 350 is lower than it was 10 years ago.

Recent developments indicate that shareholders are "picking their battles", resulting in a small number of high-profile significant dissent levels but low overall dissent levels. For example, the introduction of the vote on remuneration policy in the UK has influenced shareholder voting with many investors adopting a "wait and see" approach regarding policy proposals (preferring to see how the regulations bed in). By contrast, where opposition has been expressed, it was often at a very high level, suggesting a more targeted approach on the part of investors. The recently adopted [Companies \(Miscellaneous Reporting\) Regulations 2018](#) may further impact shareholder voting behaviours on remuneration in the UK.

2.2 DISSENT BY RESOLUTION CATEGORY

Executive pay continues to be a high profile issue; as such remuneration-related resolutions prove to be the most consistently contentious resolution category of those routinely and predominantly proposed by management.

Remuneration packages are increasingly complex, with both fixed and variable elements. Investor voting decisions are based on the absolute levels of pay for the past year, the size of any increases proposed for the coming year and the alignment between performance targets and company strategy.

While support for director elections remains strong, there has been a slight increase in average dissent from 2014.

Table 1: Average Dissent by Resolution Category

Resolution Category	2014	2015	2016	2017	2018	2019
Audit & Reporting	1.90%	1.36%	1.28%	1.28%	1.17%	1.12%
Board	2.18%	1.89%	1.92%	2.40%	2.69%	2.80%
Capital	2.10%	2.16%	2.90%	2.78%	2.49%	2.56%
Corporate Actions	3.48%	3.24%	2.00%	7.19%	4.20%	4.21%
Remuneration	6.87%	6.48%	7.15%	7.29%	7.10%	7.43%
Shareholder Rights	6.90%	7.35%	7.13%	5.01%	4.57%	4.19%
Sustainability	3.32%	3.09%	3.31%	3.26%	3.66%	3.57%
Total	3.00%	2.61%	2.77%	3.03%	2.91%	2.95%

3. HIGH DISSENT RESOLUTIONS

The charts below show the number of companies that have received significant dissent and the number of resolutions which received significant dissent over the past six years – since investors have had a binding vote on remuneration policy. It also shows the proportion of companies with multi-year dissent. Half of companies that have received high dissent, have received high dissent in more than one year.

Figure 2: Dissent Count of Resolutions and Companies

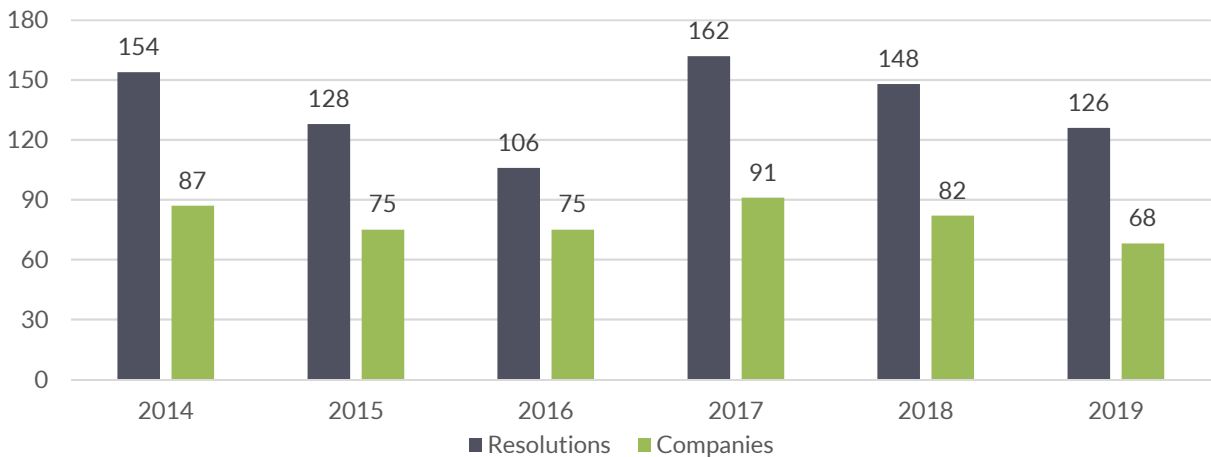


Figure 3: Repeat Offenders Over Time

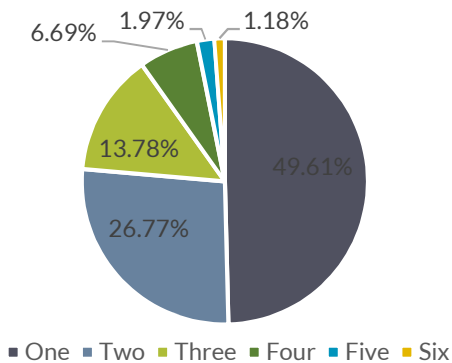
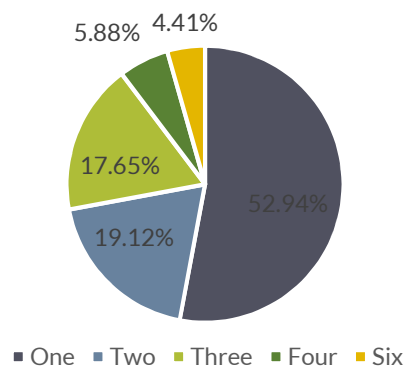


Figure 4: 2019 Repeat Offenders



In 2019 there were 68 companies that received dissent of 20% or more on at least one resolution. Of those, 47.06% were repeat offenders, i.e. the company had also received high dissent in the year before. In total, there have been 254 companies that received dissent of 20% of more on at least one resolution in the last six years. Of those, half (50.39%) had also received high dissent in at least one other year.

Notably three companies have received significant dissent in each of the last six years – Investec plc, Millennium & Copthorne Hotels plc and Telecom plus plc.

This data would seem to suggest a breakdown in communication: either companies aren't listening to feedback, or shareholders are not explaining effectively, or possibly a mixture of both. It does not help either shareholders or boards when most companies have a 31 December year end and hold their AGMs within a narrow six-week window.

Remuneration Repeat Offenders

Of the 34 companies at which shareholders expressed concerns over remuneration in 2019, nine were 'remuneration repeat offenders', that is companies that also received high dissent on a remuneration resolution in the previous year. This suggests these companies have failed to respond effectively to shareholder concerns.

Company	Frequency
AVEVA Group plc	Three consecutive years.
Centamin plc	Three consecutive years.
Clarkson plc	Four consecutive years.
GVC Holdings plc	Three consecutive years.
Playtech plc	Three consecutive years.
Safestore Holdings plc	Three consecutive years.
Sophos Group plc	Four consecutive years.
SSP Group plc	Two consecutive years.
Telecom Plus plc	Six consecutive years.

In contrast, there are 38 companies that received high dissent on remuneration in 2018 that did not receive high dissent in 2019 – suggesting the companies listened to and engaged with its shareholders to address concerns.

Centamin saw around a third of shareholders oppose its remuneration report, although over 98% of shareholders supported resolutions to approve a new remuneration policy and amended LTIP. At the gold miner's 2018 AGM shareholders voted down its remuneration policy. As Centamin is incorporated in Jersey the policy vote was undertaken on an advisory basis rather than on a binding basis. However, the remuneration committee made immediate changes to the remuneration structure following the defeat, increasing executive shareholding requirements and removing proposed dividend and reserve performance targets from the LTIP, and undertook a full policy review ahead of the 2019 AGM. While shareholders backed the group's direction of travel, concerns had been retained with elements of the 2018 annual bonus.

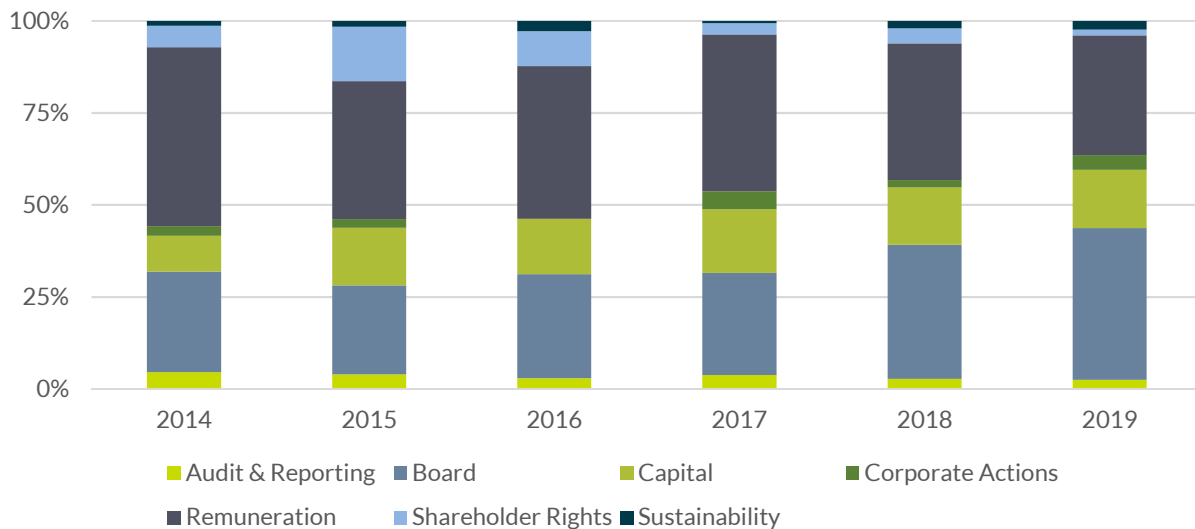
In 2017 **Playtech** shareholders voted down a resolution to approve a one-off share award to CEO Mor Weizer and at the gambling technology company's 2018 AGM shareholders voted down the remuneration report. At the 2019 AGM more than 40% of shareholders opposed the resolutions to approve both the remuneration policy and remuneration report. In addition, the resolution to Chairman Alan Jackson received just under 30% dissent. Shareholders had held concerns with the level of executive pay in light of the shareholder experience – the company has faced difficulties in recent years, issuing two profit warnings and suffering a fall in share price.

Telecom Plus has received high dissent on a remuneration resolution in each of its last six AGMs – the remuneration report in 2019, 2018, 2017 and 2015 and the remuneration policy in 2016 and 2014. The high dissent in 2019 was due to ongoing concerns held by shareholders over awards made under the LTIP introduced in 2016. In light of these concerns, the company decided not to make any further awards under the LTIP 2016 and the incentive plan has been removed from its remuneration policy – the amended remuneration policy received 86.15% support, suggesting some shareholders hold outstanding concerns.

3.1 HIGH DISSENT BY RESOLUTION CATEGORY

Board and remuneration-related resolutions continue to be the two largest sources of shareholder dissent. In 2019 board-related resolutions accounted for 41.27% of high dissent resolutions and remuneration-related resolutions for 32.54%.

Figure 5: Spread of High Dissent Resolutions by Category



These two general themes taken together, namely remuneration and board issues, raise questions about the significance which many companies attribute to the quality of board input, as well as their approach and attitude towards pay for performance. These questions are ongoing general concerns for shareholders which are as prevalent today as they were 10 years ago and continue to spark debate and regulatory initiatives.

The high proportion of board-related resolutions is a factor of annual individual director (re-) elections in the UK (i.e. one resolution per director) which regularly form part of the common or mandatory business for an AGM. The 2018 UK Corporate Governance Code removed the small company exemption on annual re-elections meaning the number of director elections in the UK is expected to increase in the coming year.

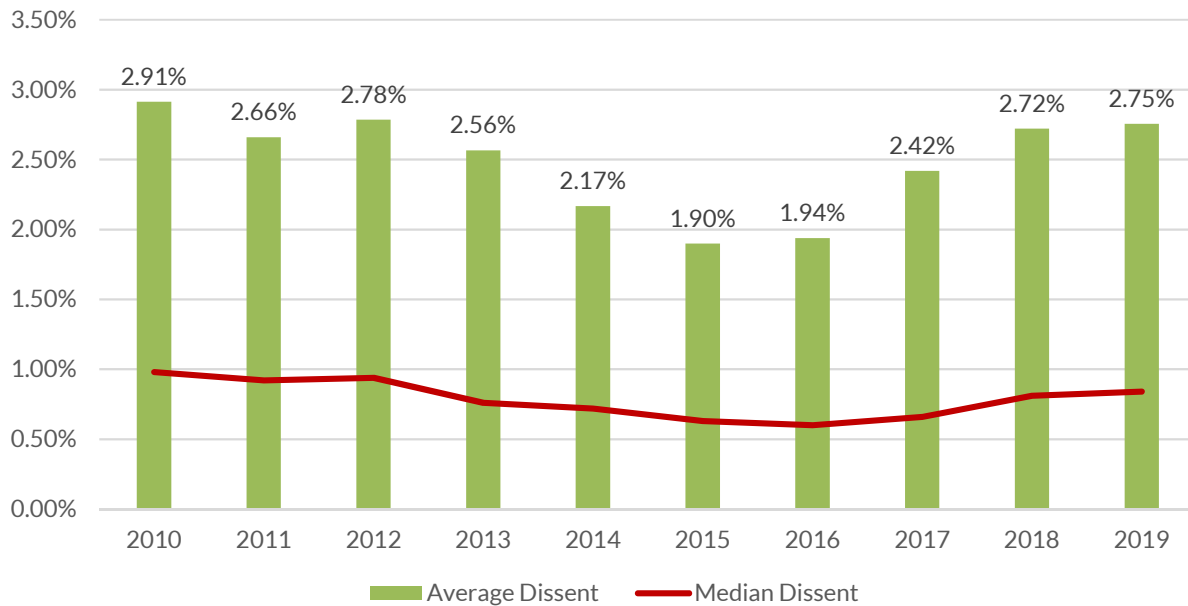
Table 2: Number of High Dissent Resolutions by Category

	2014	2015	2016	2017	2018	2019
Audit & Reporting	7	5	3	6	4	3
Board	42	31	30	45	54	52
Capital	15	20	16	28	23	20
Corporate Actions	4	3	-	8	3	5
Remuneration	75	48	44	69	55	41
Shareholder Rights	9	19	10	5	6	2
Sustainability	2	2	3	1	3	3

Board Accountability

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. However, director elections on average receive a very high level of shareholder support.

Figure 6: Director Election Dissent in the Top 350



No director election resolution proposed by management has been voted down by shareholders in 2019, or in 2018. The last director election defeat occurred at Centamin's 2017 AGM. However, despite the lack of defeats, shareholder dissent on director elections over the last five years is on the rise.

The 'overboarding' of a director was a common factor in the highest dissenting director elections in 2019. Notably three of the top six dissenting elections related to the Board Chair, highlighting that shareholders are willing to hold the Chair accountable for governance weaknesses.

The UK Corporate Governance Code states "*the chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.*"

At Centamin's 2017 AGM 65.6% of the shareholder ballot withheld support on the re-election of non-executive Trevor Schultz. In response to the vote, the Centamin Board stated shareholders had held concerns with Schultz's independence, on account of his former executive role, and membership of the Remuneration Committee. The Board resolved to reappoint Schultz despite the defeat however Schultz did not rejoin the Remuneration Committee. Schultz retired from the Board ahead of Centamin's 2018 AGM meaning shareholders did not vote on his re-election after the defeat and reappointment. Notably, Centamin suffered a defeat of its remuneration report at the 2018 AGM.

Table 3: Top 6 High Dissenting Board Resolutions 2019

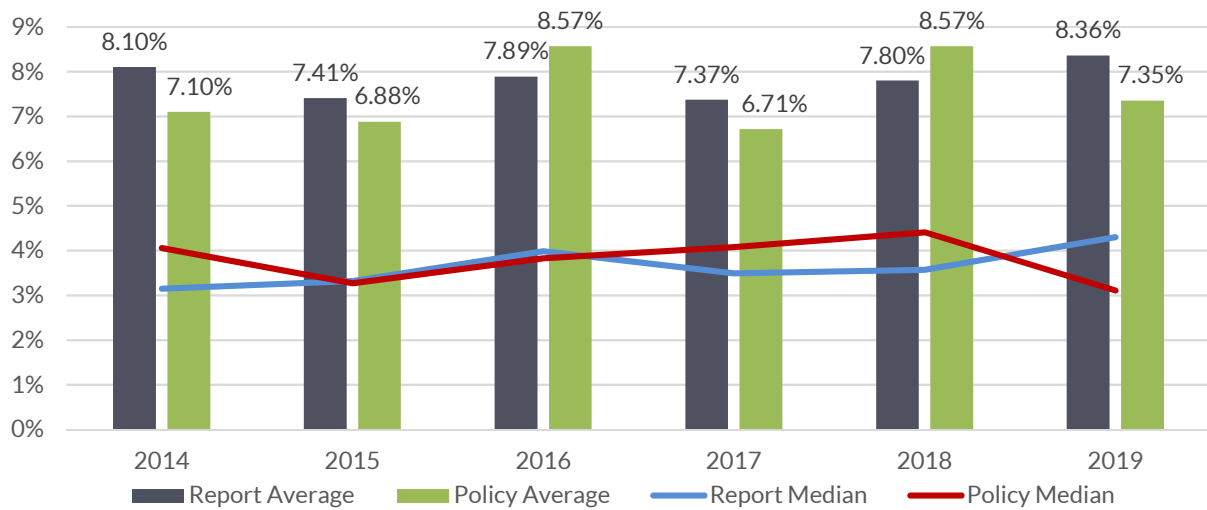
Company	Director	Dissent	Shareholder Concerns
Berkeley Group Holdings plc	Man Kiu (Adrian David) Li	51.44%	As the number of votes cast as 'For' exceeded the number of votes cast as 'Against' Li was re-elected to the Board, 9.64% of the ballot was voted 'Abstain'. Investors had held concerns that non-executive Li held multiple board commitments.
SSP Group plc	Vagn Sørensen	43.42%	Investors had held concerns that Chairman Vagn Sørensen held a number of external board appointments. In addition, Sørensen had served on the board since 2006.
Informa plc	Stephen Davidson	42.86%	Investors had held concerns that non-executive Stephen Davidson held multiple board commitments.
FirstGroup plc	Imelda Walsh	40.25%	The high dissent was related to major shareholder Coast Capital Management voting against directors at the AGM. In the month before the AGM Coast Capital Management had requisitioned a General Meeting at which the fund sought to remove directors from the Board, including Walsh, and appoint its own nominees.
Meggitt plc	Nigel Rudd	38.87%	Investors had held concerns that Chairman Nigel Rudd held a number of external board appointments. The resolution to re-elect Rudd also received of over 20% at the 2018 AGM.
Playtech plc	Alan Jackson	38.43%	Investors had held concerns regarding Chairman Alan Jackson's tenure. The Company announced at its AGM that the Board is searching for a new Chairman to replace Jackson. Jackson joined the Board in 2006 and has served as Chairman since 2013, during his tenure as Chairman the Company has faced criticism from investors over the pay arrangements for CEO Mor Weizer.

Remuneration

Remuneration is, on average, the most contentious issue at a typical UK company AGM. This is perhaps partly because the disclosure regime which applies to executive and board remuneration is so demanding that there is an abundance of information about how much the UK's top board members get paid. These figures therefore often grab the headlines and consequently attract a relatively high level of opposition from shareholders.

[The Enterprise and Regulatory Reform Bill 2013](#) introduced a requirement for companies to put their remuneration policy to a forward-looking binding vote at least every three years, in addition to the annual backward-looking advisory vote on the remuneration report. Once approved, companies can only provide remuneration that is consistent with the policy, unless they obtain shareholder approval to a revised policy or for a specific payment.

It should be noted that not all policy votes in the UK region are actually binding. This is due to companies incorporated outside the UK (e.g. in Bermuda, Jersey, Guernsey, and Ireland) not being subject to the UK regulations, although a number of such companies have voluntarily put forward a remuneration policy for a vote. Such "voluntary" pay policy resolutions may not necessarily be of a binding nature.

Figure 7: Remuneration Dissent in the Top 350

For both remuneration report and remuneration policy approvals the average mean dissent is higher than the median; this suggests a handful of high dissent resolutions are pushing the average mean up. Since the remuneration policy voting regime was introduced in 2014 there have been only three policies voted down by shareholders, this compares to 12 defeated remuneration reports during the same time period – four times as many.

Table 4: Defeated Remuneration Reports and Policies

Year	Company	Resolution Type	Dissent
2014	Burberry Group plc	Remuneration Report	52.99%
2014	Kentz Corporation Ltd	Remuneration Policy	57.58%
2014	Kentz Corporation Ltd	Remuneration Report	58.17%
2015	Intertek Group plc	Remuneration Report	52.12%
2016	BP plc	Remuneration Report	60.86%
2016	Paysafe Group plc	Remuneration Report	55.78%
2016	Smith & Nephew plc	Remuneration Report	56.90%
2016	Weir Group plc	Remuneration Policy	73.53%
2017	Crest Nicholson Holdings plc	Remuneration Report	59.33%
2017	Pearson plc	Remuneration Report	67.93%
2018	Centamin plc	Remuneration Policy	52.70%
2018	Inmarsat plc	Remuneration Report	58.50%
2018	Playtech plc	Remuneration Report	59.69%
2018	Royal Mail plc	Remuneration Report	72.45%
2019	Micro Focus International plc	Remuneration Report	52.10%

The binding remuneration policy vote tends to receive lower dissent levels than the advisory remuneration report approval – remuneration reports on average have received high dissent in four of the last six years. This indicates investors are much more likely to vote against the implementation of a policy rather than the policy itself, perhaps suggesting a pre-emptive oversight issue when it comes to approving policies which ultimately lead to pay for performance concerns. This may be indicative that executive remuneration policies have become too complex, limiting investor ability to understand what the potential pay outcomes are.

The majority of UK public companies will put forward new remuneration policies to the shareholder vote in 2020, and it remains to be seen whether action will match rhetoric and whether investors will oppose more policy approvals this time round.

Table 5: Top 6 High Dissenting Remuneration Resolutions 2019

Company	Resolution	Dissent	Notes
BCA Marketplace plc	Remuneration Report	53.53%	BCA did not comment on the vote in its AGM Statement as the Company is subject to a takeover offer by BBD Bidco Ltd. Should the acquisition not proceed the Remuneration Committee will review this position. Concerns may have been held with the use of a Value Creation Plan, a scheme opposed by some institutional investors, and an increase in pay opportunity for the executive directors.
Berkeley Group Holdings plc	Remuneration Policy	52.84%	While the Company had proposed to discontinue its annual bonus, concerns were raised about the level of executive pay and the stretch of the LTIP target. The Company had also removed the cap on LTIP awards and extended the vesting period of shares from two years to four years.
	Long-term Incentive Plan	50.29%	
Micro Focus International plc	Remuneration Report	52.10%	The remuneration report was voted down by shareholders. Concerns were raised about the size of variable pay awards and the use of discretion to extend the performance period applied to share awards.
Clarkson plc	Remuneration Report	50.31%	Concerns were raised about the operation of a profit-sharing arrangement with no individual limits for the executive directors.
SEGRO plc	Remuneration Report	49.26%	Concerns were raised about the salary increase granted to the CEO. David Sleath's salary was increased by 8.5% in April 2019 and conditional on satisfactory individual performance will be increased by 8.4% in April 2020. Salary increases can have a ratcheting impact on other elements of pay which are based on a percentage of salary.
Plus500 Ltd	Remuneration terms for the CFO	48.94%	Concerns were raised about the overall increase in quantum, the operation of a discretionary bonus, and the disclosure and robustness of performance conditions. The Company had called an EGM after the Remuneration Committee conducted a review following the Company's move up from AIM to the Main Market of the London Stock Exchange and inclusion in the FTSE 250. The voting results highlight shareholders felt the proposed remuneration terms fell short of good practice for a FTSE 250 company.
	Remuneration terms for the CFO	48.62%	

Data Note: While dissent exceeded 50% on resolutions at BCA Marketplace, Berkeley Group Holdings and Clarkson, as the number of votes cast as 'For' exceeded the votes cast as 'Against' the resolutions passed, as abstentions are not counted as a vote under UK Law. This highlights the potential pitfall of using abstentions to register dissent.

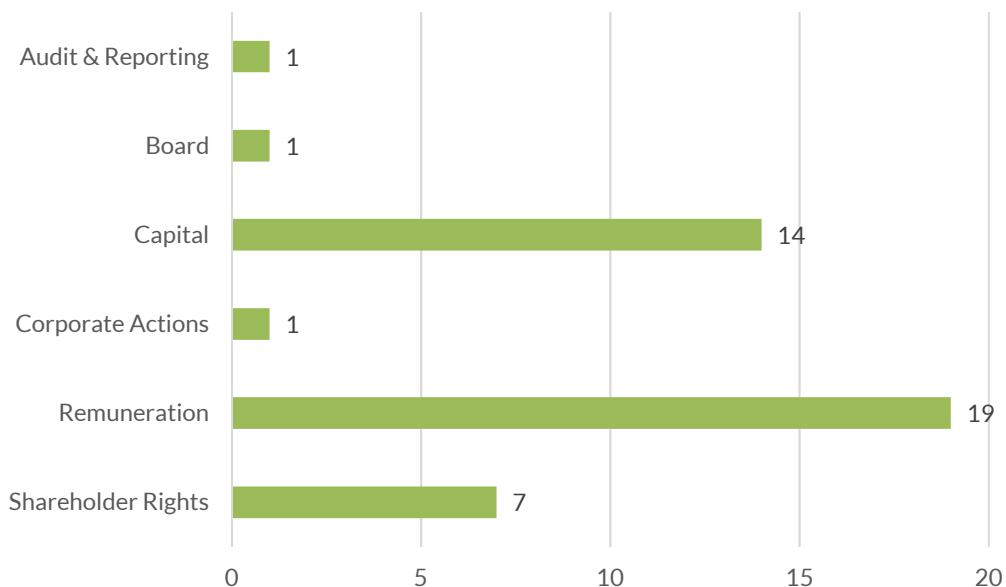
3.2 DEFEATED RESOLUTIONS

Five resolutions proposed by management were defeated in 2019, a 50% fall from 10 in 2018. In addition, there were 14 resolutions withdrawn in 2019, up slightly from 12 in the previous year.

Table 6: Management Resolution Outcomes

Resolution Outcome	2014	2015	2016	2017	2018	2019
Adjourned	2	11	2	-	25	2
Defeated	4	1	6	7	6	2
Defeated (Insufficient Majority)	3	2	1	4	4	3
Insufficient Quorum	-	-	-	2	-	-
Not Disclosed	1	-	1	2	2	1
Passed	6818	6697	6582	6913	6703	6077
Resolution Void	-	-	-	1	-	-
Successful Frequency	-	-	-	1	-	-
Unsuccessful Frequency	-	-	-	2	-	-
Withdrawn	23	11	11	20	12	16

Figure 8: Defeated Management Resolutions by Resolution Category



Data Note: The Corporate Action resolution concerned an investment trust continuation vote at VinaCapital Vietnam Opportunity Fund Ltd. The Board recommend shareholders vote against the winding up of the trust and only 1.09% voted in favour of the resolution.

Shaftesbury plc

Three special resolutions were defeated at Shaftesbury's AGM after the Board was unable to obtain the requisite majority necessary to pass the resolutions – the authority to call a general meeting on not less than 14 days' notice and two separate resolutions relating to the disapplication of pre-emption rights.

The resolutions were defeated due to Shaftesbury's major shareholder Samuel Tak Lee, the ultimate beneficial owner of 26.15% of the issued share capital of the Company at the time of the AGM, voting against each of the resolutions. As the resolutions needed 75% support to pass Mr Lee was able to vote down the resolutions.

Mr Lee sent a letter to shareholders ahead of the AGM setting out his reasons for voting against the resolutions. Mr Lee had held concerns regarding an equity fundraising undertaken by the Company in December 2017, viewing it unnecessary as he considered the Company was not under any financial strain. On 11 June 2019 Mr Lee instigated legal proceedings against the Company relating to the equity placing. The Board refutes Mr Lee's claims.

Quilter plc

Quilter's proposed general authority to issue shares with pre-emption rights was voted down by shareholders at its AGM. The authority sought was considered routine for UK listed companies and was in accordance with UK institutional investor guidelines. However, certain overseas institutional investors, mainly in South Africa, did not support the resolution resulting in its narrow defeat (49.47% support). With the increasing proportion of UK companies being held by foreign shareholders more companies may find themselves on the receiving end of significant dissent on issues which are considered routine for the UK market.

Micro Focus International plc

Remuneration concerns at Micro Focus saw over 50% of the shareholder ballot withhold support (3.56% abstain + 48.54% against) from its remuneration report.

Micro Focus' CEO Christopher Hsu resigned in March 2018 after only around six months' service. Hsu was appointed as CEO in September 2017 following the completion of the Hewlett Packard Enterprise (HPE) software assets reverse takeover. However, after Micro Focus issued a profit warning following a fall in sales and integration concerns, Hsu stepped down from the Board. It was disclosed in the annual report that Hsu received a payment of \$5.9m to cover the grossed-up costs of the excise tax incurred as a result of US "inversion" tax treatment of the merger. While the payment of tax gross-ups is common in the US, international investors may have been disappointed by the lack of transparency regarding the payment.

Stephen Murdoch has since been appointed as the new CEO. Murdoch served as CEO prior to the merger but stood aside to become Chief Operating Officer after the HPE transaction completed. Murdoch's salary has been set at £850,000, 66% higher than the £512,500 salary he received as CEO prior to the deal.

As part of the HPE deal executives were granted additional share awards. The awards were due to vest on 6 September 2019, subject to meeting a performance condition based on shareholder returns measured over a three-year period. However, after issuing the profit warning Micro

Focus' share price fell meaning the awards were unlikely to vest. As a result, the Remuneration Committee used its discretion to replace the awards with new awards and extended the performance target deadline by an additional year. Shareholders were likely concerned that whilst they had suffered a fall in share price, the goalposts for executive awards had been changed highlighting a misalignment between executive reward and the shareholder experience.

During the year additional share awards granted in connection to the 2014 Attachment Group transaction vested in full. The awards were based solely on shareholder returns measured over a three-year period requiring a growth of 100% to vest in full. The value of the awards received by executive directors amounted to £55.5m in aggregate with Executive Chair, Kevin Loosemore receiving the largest award of £25.3m.

Shareholders may have considered the additional share grants to be a form of transaction-based award. Such awards are typically opposed by institutional investors, and can result in excessive pay. In the annual report the Remuneration Committee stated it was aware of the distorting impact the additional grants can have and is therefore not planning on making future awards and will undertake a review of its reward strategy in 2019.

4. SHAREHOLDER PROPOSALS

Despite the comparatively permissive and binding shareholder resolution regime in the UK compared with, for example the United States, shareholder resolutions remain rare in the UK. 2019 saw seven of the top UK 350 companies with such proposals on the agenda, up from four in 2018.

In total, there are 21 shareholder proposals, up from five in 2018. 2019 saw the highest number of requisitioned proposals in each of the last six years. The high number is due to 13 shareholder resolutions at FirstGroup plc - Coast Capital requisitioned a General Meeting in order to propose the removal of six of the current directors and replace with them with seven of its own nominees.

Figure 9: Shareholder Proposals in the Top UK 350

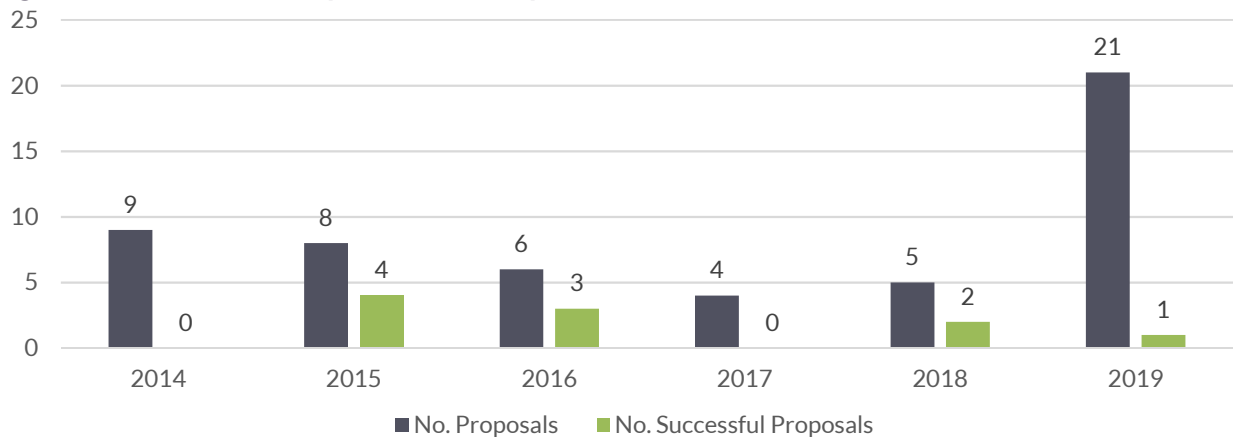


Table 7: Successful Shareholder Proposals

Year	Company	Resolution	Mgmt. Rec	For %
2015	BP plc	To request the Company provide further information on the low carbon transition	For	95.84%
2015	Electra Private Equity plc	To elect as a director, Edward Bramson	Against	53.39%
2015	Electra Private Equity plc	To elect as a director, Ian Brindle	Against	53.37%
2015	Royal Dutch Shell plc	To request the Company provide further information on the low carbon transition	For	95.69%
2016	Anglo American plc	To authorise the production of an annual report on climate change	For	95.83%
2016	Glencore plc	To approve strategic resilience for 2035 and beyond	For	97.57%
2016	Rio Tinto plc	To approve strategic resilience for 2035 and beyond	For	98.41%
2018	Millennium & Copthorne Hotels plc	To request the Company engages an international property advisor to undertake an annual valuation to determine the market value of all assets	Against	77.79%
2018	Stobart Group Ltd	To elect as a director, Andrew Tinkler	Against	50.29%
2019	BP plc	To request that the Board report to shareholders on the strategy to be consistent with the goals of the Paris Climate Agreement	For	97.72%

Table 8: 2019 Shareholder Proposals

Company	Resolution	Mgmt. Rec	Resolution Outcome	For %
Barclays plc	To elect as a director, Edward Bramson	Against	Defeated	12.46%
BP plc	To request that the Board report to shareholders on the strategy to be consistent with the goals of the Paris Climate Agreement	For	Passed	97.72%
BP plc	To request that the Board publish targets that are aligned with the goal of the Paris Climate Agreement	Against	Defeated	7.90%
FirstGroup plc	To remove as a director of the Company, Wolfhart Hauser	Against	Defeated	29.27%
FirstGroup plc	To remove as a director of the Company, Matthew Gregory	Against	Defeated	24.96%
FirstGroup plc	To remove as a director of the Company, Imelda Walsh	Against	Defeated	31.15%
FirstGroup plc	To remove as a director of the Company, Stephen Gunning	Against	Defeated	24.89%
FirstGroup plc	To remove as a director of the Company, James Winestock	Against	Defeated	45.22%
FirstGroup plc	To remove as a director of the Company, Martha Poulter	Against	Defeated	24.89%
FirstGroup plc	To remove any director appointed since the date of requisition	Against	Defeated	15.23%
FirstGroup plc	To elect as a director, Steve Norris	Against	Defeated	36.28%
FirstGroup plc	To elect as a director, Bob Stefanowski	Against	Defeated	35.82%
FirstGroup plc	To elect as a director, Jim Compton	Against	Defeated	21.18%
FirstGroup plc	To elect as a director, Elizabeth Filkin	Against	Defeated	15.21%
FirstGroup plc	To elect as a director, Patricia Barron	Against	Defeated	15.99%
FirstGroup plc	To elect as a director, Uwe Doerken	Against	Defeated	35.89%
HSBC Holdings plc	To request that the Board abolish or remedy the unfair discriminatory practice of taking state deduction from pensions paid to members of the post 1974 Midland Bank pension scheme	Against	Defeated	3.49%
Polymetal International plc	To elect as a director, Mr Kirillov	Against	Defeated	10.14%
Polymetal International plc	To elect as a director, Artem Kirillov	Against	Defeated	11.55%
Royal Bank of Scotland Group plc	To request that the Directors establish a Shareholder Committee	Against	Defeated	0.72%
Royal Dutch Shell plc	To request that the Board set and publish targets aligned with the Paris Climate Agreement	Against	Withdrawn	12.46%

Shareholders at oil major BP plc voted on two resolutions put forward by shareholders on climate change and the Paris Agreement goals.

A group of shareholders coordinated by Climate Action 100+ put forward a resolution asking BP to describe in its Strategic Report, and/or other corporate reports, from 2019 onwards how the Company's strategy is consistent with the goals of the Paris Agreement. BP recommended shareholders vote in favour stating it considered its adoption would help deepen the Company's reporting on its commitment to the Paris Agreement. BP also agreed to continue its dialogue with the proponents and revisit the resolution every three to five years.

In addition, Follow This put forward a resolution requesting BP set emission targets consistent with the Paris Agreement to limit global warming to below 2°C. The proposal would require targets covering emissions of the Company's operations and the use of its energy products (scope 1, 2 and 3) and to be intermediate and long-term in nature. BP recommend shareholders to vote against its adoption. The Board stated that whilst it is supportive of the Paris Agreement, it considered the adoption of fixed long-term targets would restrict its ability to adjust to the pace and direction of the energy transition and risk long-term shareholder value. The Board also argued that scope 3 (end user) emissions are not under BP's control and that BP's commitment to the Paris Agreement would be better addressed through the Climate Action 100+ resolution.

In the run up to Royal Dutch Shell's AGM, Follow This agreed to withdraw its climate change resolution after dialogue and Shell's actions on climate change. Due to procedural reasons the resolution remained on the agenda. In November 2017 Shell announced an ambition to reduce its net carbon footprint by around half by 2050, and by around 20% by 2035. In December 2018, following dialogue with Climate Action 100+, Shell announced a commitment to set specific targets for shorter periods, of three or five years, and to link these targets to executive remuneration. The targets will start from 2020 and will run to 2050 with an initial three-year target to reduce Shell's net carbon footprint by 2%-3% compared to 2016 levels. Shell also undertook a review of its industry associations and announced it would leave the American Fuel and Petrochemical Manufactures. Shell cited the lobbying group's lack of stated support for the goal of the Paris Agreement to represent a "material misalignment" over climate policy.

Table 9: Climate Change Shareholder Proposals

Year	Company	Resolution	Mgmt. Rec	For %
2016	Anglo American plc	To authorise the production of an annual report on climate change	For	95.83%
2017	BHP Group plc	To approve member request on public policy advocacy on climate change and energy	Against	8.60%
2015	BP plc	To request the company provide further information on the low carbon transition	For	95.84%
2019	BP plc	To request that the board report to shareholders on the strategy to be consistent with the goals of the Paris Climate Agreement	For	97.72%
2019	BP plc	To request that the board publish targets that are aligned with the goal of the Paris Climate Agreement	Against	7.90%
2016	Glencore plc	To request the Board of Directors to report on climate change and strategic resilience for 2035 and beyond	For	97.57%
2016	Rio Tinto plc	To approve strategic resilience for 2035 and beyond	For	98.41%
2015	Royal Dutch Shell plc	To request the company provide further information on the low carbon transition	For	95.69%
2016	Royal Dutch Shell plc	To request the board invest the profits from fossil fuels into renewable energy	Against	2.69%
2017	Royal Dutch Shell plc	To request the board to set and publish targets for reducing greenhouse gas emissions that are aligned with the goal of the Paris Climate Agreement	Against	6.01%
2018	Royal Dutch Shell plc	To request that the company set and publish targets that are aligned with the goal of the Paris Climate Agreement to limit global warming to below 2 degrees	Against	5.12%
2019	Royal Dutch Shell plc	To request that the board set and publish targets aligned with the Paris Climate Agreement	Against	Withdrawn

5. CONCLUSION

As owners of shares institutional investors can have a positive influence on the running of the companies they invest in on members' behalf. The Financial Reporting Council has been consulting on a [new Stewardship Code](#) that sets higher expectations for investor stewardship policy and practice. The Code will focus on how effective stewardship delivers sustainable value for beneficiaries, the economy and society.

Despite recent rhetoric and media coverage, shareholder dissent has not notably increased in 2019 and is lower than it was 10 years ago. The number of high dissenting resolutions and the number of defeated resolutions is lower than in 2018 with shareholders continuing to overwhelmingly vote in line with management.

This year, 68 of the top 350 UK companies recorded shareholder dissent of 20% or more relating to at least one resolution. In total, 126 resolutions received 20% or more votes against and abstentions. In 2018, 84 companies and 148 resolutions received high dissent levels.

This appears to chime with the criticism of the UK shareholder-centric governance system that shareholders do not exercise their voting rights effectively. At the same time, companies may not listen to shareholder concerns. Of the 68 companies that recorded significant dissent in 2019, almost half were 'repeat offenders' that had also experienced high levels of voter dissent in 2018. These figures indicate a breakdown in engagement between companies and investors, and a failure by boards to effectively address shareholder concerns.

While 'dissent' includes against votes and abstentions, abstentions are not taken into account when counting up votes, meaning any investors wishing to show a figurative 'yellow card' to a company's board are not considered in the published results.

20% Against - Too High?

Some commentators have raised concerns that the threshold is set too high and that even 10% dissent could signal that there are unresolved differences of opinions between shareholders and boards. Others have raised concerns over the potential unintended consequence of discouraging remuneration committees from pursuing progressive executive pay reform to avoid appearing on the Investment Association's Public Register and its associated reputational concerns.

How Effective is The Public Register?

With over 200 companies already on the Public Register, it is unclear if the Public Register is an effective sanction. Minerva would propose that it is the repeat offenders which need more focus.

The resolution to re-elect Man Li at Berkeley Group Holdings and remuneration resolutions at BCA Market place, Berkeley Group Holdings and Clarkson highlight the potential pitfalls of abstaining when concerns are held. While all the companies in question received dissent of over 50% as abstentions are not counted as a vote under UK Law the resolutions passed. If just a handful more shareholders had voted 'against' rather than 'abstain' the companies could have suffered a defeat.

The Pension and Lifetime Savings Association suggests shareholders should try to avoid using an abstention to convey a signal of concern. The [PLSA's 2019 voting guidelines](#) states, *“given that the vote on the remuneration report is advisory and that many companies are too slow to heed the message on remuneration, it is more appropriate for shareholders to vote against any remuneration report that they feel unable to support, rather than abstain.”*

Notably, six of the 10 successful shareholder proposals over the last six years have related to climate change. In all cases the board recommend shareholders to vote in favour, reflecting the growing importance of climate change risks for investors and companies alike. However, of the six climate change shareholder proposals which the board recommended shareholders oppose none managed to obtain support of over 10% - suggesting shareholders are still unwilling to vote against management on this issue.



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