

# Stewardship activities in Q1 2019

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ArcelorMittal

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## ARCELORMITTAL SA

Group meeting with Brian Aranha, Executive Vice President, and other senior employees

Issues: Environment – climate change

We focused on the governance of climate-related risks, given its increased importance to investors. While the company is testing less carbon intensive production methods, none of these are currently economically feasible. The company does have a target to reduce its greenhouse gas emissions, but this is not stretching enough to align with the Paris Agreement. We will continue to have discussions with the aim of improving governance and linking the achievement of these targets to executive remuneration.



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## CREST NICHOLSON HOLDINGS

Meeting with Patrick Bergin, CEO, and Stephen Stone, Executive Chair of the Board

Issues: Governance – board structure, board effectiveness, succession planning and remuneration

Given the board structure, with Stephen Stone moving from the role of CEO to Executive Chair in March 2018, we wanted to understand how effective the board was and how the succession planning was progressing. As one of the non-executive directors was on a number of other boards, we asked about how this is managed. We discussed whether the key performance indicators in the long-term incentive plan were sufficiently stretching to align the interests of management with those of the company's shareholders.

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## MITSUBISHI ESTATE COMPANY LIMITED

Meeting with Hiroshi Katayama,  
Board member

Issues: Governance – cross-shareholdings  
and takeover defence measures

Katoyama-san confirmed there were still 156 cross-shareholdings, however, he did reiterate the company's commitment to reduce this.<sup>1</sup> We stressed our concerns about cross-shareholdings, and the company said in the current environment it is very unlikely to take on new ones. On the topic of the takeover defence measure, the company said given the feedback it had received from investors, the measure would probably be rejected if it was put to a vote at the annual general meeting in 2019. There were heated discussions amongst the board about what their next steps should be. We re-iterated that we would vote against the measure if it was put to a vote.

<sup>1</sup> Mitsubishi Estate Corporate Governance presentation, Oct 2018, p17

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## THE WALT DISNEY COMPANY

Conference calls with Tamara Munsey, Vice  
President – Investor Relations

Issues: Governance – remuneration, lobby-  
ing and cyber security

Despite a majority of shareholders, including Ruffer, voting against the resolution to ratify executive officers' compensation in 2018, we felt the size of the award proposed in 2019 was still too large and the requirements were not stretching enough for us to support it. We engaged with the company and initially voted against the proposal, informing the company of our decision. A few days before the AGM, the company substantially reduced the planned increases in the CEO's compensation and made the requirements more onerous. Consequently, we decided to support the revised proposal as we felt the level was now justified given the significant contribution the CEO continues to make to the company.

We voted for two shareholder resolutions that management recommended voting against. The first asked for additional disclosure on both direct and indirect lobbying-related activities. This is an important issue given the effectiveness of trade associations in lobbying governments around the world and as this additional information would allow us to make a better informed investment decision, we supported the resolution. The second asked for an assessment to include cyber security and data privacy measures in the determination of executive remuneration. Given the increase in regulation globally in these areas, and the shift in the company's business model, we support this alignment. We informed the company before the AGM that we would be supporting these resolutions.

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## WHEATON PRECIOUS METALS

Meeting with Randy Smallwood, CEO

Issues: Social, environmental – tailings dams

We discussed its operations in South America, in particular its Salobo mine, following the collapse of one of Vale's tailings dams in Brazil. The CEO confirmed none of its mines have this type of dam structure. We discussed the possibility of increased regulation of mining activities in South America, and stressed how concerned we are about the recent dam collapses and the devastating impact these have had on local communities and the environment.

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## WHITBREAD

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### WHITBREAD

Meeting with Adam Crozier, Chair of the Board, Chris Vaughan, Company Secretary

Issues: Governance – board structure, succession planning and remuneration

We spoke about the non-executive directors that had recently joined the board, to fully understand their skills and experience. Given the changes at the company over the last year, we wanted to appreciate how the board and management work together and whether there will be additional skills required on the board in the future. We also asked about the recent board effectiveness review. As the company structure is changing, we discussed how the remuneration policy should be structured to align with the new strategy and continue to motivate management.



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## YAMATO HOLDINGS COMPANY LIMITED

Meeting with Tsukasa Kobayashi,  
Investor Relations

Issues: Social, environmental – workplace culture and climate change

Given the recent overtime salary scandal at Yamato and the government's focus on reforming the workplace culture in Japan, the company has committed to significantly reduce the amount of overtime worked over the next three years. We also discussed the measures the company has taken to reduce its carbon emissions. The main source of emissions is its transportation vehicles so the company is focussed on the use of electric and hybrid vehicles and bicycles in the short term, and a more significant business model shift in the longer term. The company is also trialling more innovative solutions, such as using local buses for transporting parcels when they are not in operation.

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