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## NEWS

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*"... to any investor who feels apathetic about where they put their money. If you have only a few hundred pounds, do you really need to worry about which stocks you put it in – it won't make much difference anyway, will it?"*

*If investors did not speak up, company bosses would overpay themselves even when their business was tanking and their staff were being made redundant; women and ethnic minorities would be barred from the boardrooms; and tons of plastic would be dumped into the ocean because recycling is expensive or inconvenient. Sure you might say, it's easy for professionals to force that change – they have billions of pounds to back them up. But those billions are the money in the pension pots of you, me and our friends and family. Fund managers are there to represent us and our views."*

Holly Black; Senior Editor, Morningstar; "Money and Morals: Ask the right questions and you too can be an activist."; The Sunday Times; 07/02/2021.

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## UPCOMING MEETINGS

VICTREX PLC  
APPLE INC  
DEERE & COMPANY

## Fraud is often an illegal act

In 2019 the High Court and the BEIS Parliamentary Select Committee debunked the myth that the public expected more of auditors in respect of dealing with fraud and going concern than is required of auditors. Some large auditors for many years have described this as the 'expectations gap'. However, from the High Court case, rather than the public expecting too much, the legal expectations might make people's hair stand on end. Because of failing to find a management fraud the Court held that the auditor Grant Thornton was accountable for the financial consequences of the company trading unlawfully with defective accounts. The damages included dividends paid as well as the amounts that had been mis-invested in the failing business that wouldn't had the accounts been audited properly.

The Parliamentary Committee said that rather than an expectations gap the auditors were underselling their duties and there was a delivery gap.

Surprisingly, or not, the accounting profession controlled International Accounting and Assurance Standards Board, which sets auditing standards recently issued a consultation which rather than dealing with the delivery gap and attempts to fight the battle already lost and consults as if the expectations gap exists. The IAASB even makes up a new construct it calls the 'evolution gap'.

PIRC has written to the IAASB asking them to withdraw the misleading consultation and written to the largest accounting firms requesting that they refute it. The pertinent issue being living up to the expectations of the law, not lobbying to undermine it.

From looking at responses to the consultations from the largest firms the response from BDO shines above the rest, and point out problems with auditing standards as well as accounting standards. The Basle Banking Committee too has spotted that some of the 'expectations gap' has been planted into the auditing standards by weasel wording, basically by conflating potential difficulty in finding it with the duty to look for it.

Some of the statements in the responses are remarkable, one of the Big 4 firms says 'fraud often constitutes an illegal act'. We struggle to understand when fraud isn't unlawful. PIRC awaits replies from the auditing firms to determine which ones merit votes for their reappointment at AGMs this year.

## Climate votes hot up

BlackRock have been keen to shout about the importance of managing climate change risk, but it seems they still need to be harried by pension funds to force positive change in their investment portfolios. According to media reports Pension Bee and Merseyside pension funds are demanding that the world's biggest fund manager prove its green credentials by supporting a climate resolution at HSBC's April AGM which asks it do more to reduce

its exposure to fossil fuels.

The resolution, which was filed by Amundi, Man Group and 13 other big investors, also asks HSBC to publish a strategy around climate targets.

BlackRock had originally outsourced voting at bank AGMs when PNC bank was a significant investor. However, that institution has since withdrawn its investment from BlackRock leaving the asset manager free to take a more vocal position on how such companies behave.

In December, BlackRock CEO Larry Fink declared that voting activity would form a more critical part of the asset manager's stewardship activities, leading Merseyside pension fund to point out that the HSBC resolution would afford the perfect opportunity for BlackRock to make good on its promises.

In related news Aviva recently announced It will divest from major fossil fuel producers unless they do more to tackle climate change. Aviva has chosen to take a stand on the issue without pressure from shareholders, which could well serve as an important catalyst in encouraging its rivals to do more on climate change without the drawn out boardroom battles we have seen so far.

This AGM season will likely separate those companies willing to be proactive on climate change from those that drag their heels. We will watch with interest.

## Tech tax talk

They were the pandemic winners raking in billions of pounds from consumers confined to internet shopping during the Covid-19 lockdown, but online retailers could be forced to return some of that revenue to the UK government.

Chancellor Rishi Sunak said those companies that profited the most during the pandemic may be in line to pay a windfall tax to help cover the mounting debts built up by the Treasury over the past 12 months. Among the obvious targets are Amazon, which enjoyed a sales increase of 51% to nearly £20bn in 2020. Another focus is Asos – the fast fashion retailer which has recently bought up many of Arcadia's failed High Street brands – which has also enjoyed notable spikes in sales, alongside food delivery companies such as Deliveroo.

The fact that a tax on some of the tech giants appears to be coming is something that investors should be alert to. As we reported recently, much of the recent stock market success is attributable to tech stocks. The MSCI All-Country World Index returned 16.8% in 2020, thanks in large part to returns of 21.4% from the US market, and at the end of last year tech stocks accounted for 22% of the S&P 500. About 15% of pension default funds in the UK are invested in tech stocks.

If companies like Amazon become an easy target for regulators and treasuries, investors must ready themselves for an increased risk to their returns. And given the astronomical success of online

retailers in the past year, the incentives for politicians to act have grown.

## Splitting chairs

Farewell then, Jeff Bezos, CEO of Amazon who stepped down last week, and also hello again to Jeff Bezos, who last week took the position of Amazon executive chairman. The online retail giant, which already raises numerous ESG red flags, has now created a new corporate governance headache for investors.

PIRC is clear that a chairman should be independent. It would be hard to find anyone less independent than the man who founded Amazon in his garage thirty years ago and has turned it into the world's biggest retailer, making him a multi-billionaire in the process. Bezos told shareholders that 'as Exec Chair I will stay engaged in important Amazon initiatives but also have the time and energy I need to focus on the Day 1 Fund, the Bezos Earth Fund, Blue Origin, The Washington Post, and my other passions.'

It would be interesting to hear what plans Amazon's exec chair has for tackling the numerous shareholder concerns regarding Amazon's labour relations and its treatment of workers during the Covid-19 pandemic, among other things.

We expect to see S issues at Amazon continue to dog the company, even as investors running 'ESG' funds are loath to drop it, and lose its contributions to returns. The exec chair governance question ought to trouble them but in our experience return-hungry managers are often too willing to look the other way.

## Trust busters

While the UK looks to hit tech companies with additional taxes, in the US the focus is on reinforcing anti-trust law. As part of President Joe Biden's reversal of Donald Trump's stance, Democrats look set to revive anti-trust enforcement putting companies such as Facebook and Google firmly in the firing line.

Democrat senator Amy Klobuchar – a long term supporter of antitrust legislation – is behind the bill which seeks to reform antitrust law in a number of ways. These include resetting the standard for enforcement and shifting the burden of proof onto dominant firms in merger cases; requiring agencies to study markets and merger effects regularly, with the help of additional funds; and giving new tools to antitrust enforcers, like imposing civil penalties.

Senator Klobuchar told CNBC that it is this latter point, additional funds, that will make a notable difference in enforcing antitrust laws since the government is waging war against the multi-trillion dollar might of the world's richest companies. As she says, 'You can't take on trillion-dollar companies with Band-Aids and duct tape'.

Just as the increased taxes may pose extra risk

to these tech giants, so too could US anti-trust legislation. While these efforts are meant to redress imbalance and restore power to the appropriate places, they may well have an impact on tech share prices- something for investors to bear in mind.

## Out of the frying pan

Consolidation is an obvious consequence of economic turmoil – of which there has been plenty in the last 12 months thanks to Covid-19. Yet the pandemic is not the only force driving mergers and acquisition activity. A report in the FT raises the possibility of major fossil fuel producers being forced to engage in acquisitive behaviour if they are to survive in a world that shuns such carbon intensive industries.

There have been two major process crashes in the oil and gas markets in the last five years and as major institutional investors openly consider divestment, the future for the major energy companies looks bleak. The FT points out that there were 'megamergers' back in the 1990s after crude oil prices collapsed, leading them to draw the obvious conclusion that similar activity must be on the cards today. However, it seems somewhat strange for a CEO of a struggling fossil fuel company to resolve the problem by buying another. Surely the more fruitful path would be to invest in a green energy producer since this is the sector's likely successful future.

And investors already losing faith in oil and gas may be even less impressed with a company that chooses to double down, rather than seeking to change direction towards renewable sources.

## Net Zero Scottish Widows

Scottish Widows has joined fellow financial providers Barclays, Aviva and Aegon in committing to net zero carbon emissions by 2050. The fund manager said it will also halve its carbon footprint by 2030.

Scottish Widows is now part of an encouraging trend for fund managers to use their financial clout to influence the climate change agenda; something PIRC has been encouraging for some time. Yet Scottish Widows points out that a £2.17trn 'green gap' remains, blaming pension funds and competitors for failing to outline meaningful net zero plans.

Pension funds certainly have more motivation to tackle carbon emissions in their investment portfolio following the DWP's stipulation that the UK's largest schemes must be able to identify, assess and manage climate-related risks and opportunities and be ready to publish annual Task Force on Climate-related Financial Disclosure reports.

It is perhaps the providers rather than their clients that need to gather pace towards implementing net zero commitments if there is any hope of making an impact on climate change.



## **VICTREX PLC**

AGM, 12 February 2021

Victrex Plc is a British-based producer of high performance polymers. The Company was established in 1993 and is now divided in two business units: Victrex Polymer Solutions (VPS) and Invibio Biomaterial Solutions (Invibio). VPS provides solutions to the Company's major industrial markets: Automotive, Aerospace, Electronics and Energy. VPS works with customers and end users to provide innovative and technical solutions that help them meet their design challenges. On the other hand, Invibio focuses on providing biomaterial solutions for the surgical and medical device markets.

### **1 Receive the Annual Report**

Disclosure is considered adequate. The financial statements were sufficiently made available before the meeting and have been audited and certified. However, there are concerns surrounding the Company's sustainability policies and practice and concerns over the lack of board level accountability for sustainability issues.

An **Abstain Vote** is recommended

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

All elements of the single total remuneration table has been disclosed. The CEO's salary is in the median of a peer comparator group. The changes in CEO total pay under the last five years are not considered in line with changes in TSR during the same period. The CEO has been paid an LTIP for the Year Under Review which amounts to 19.71% of his base salary, which is considered acceptable. No bonus was paid during the year. Additionally, the ratio of the CEO pay compared to average employee pay is considered appropriate at 9:1.

An **Abstain Vote** is recommended

### **3 Approve the Dividend**

A final dividend of GBP 46.14 pence per share is proposed. This payment is covered by earnings.

A **For Vote** is recommended

### **4 Re-elect Larry Pentz - Chair**

Non-Executive Chair. Not considered independent owing to a tenure of over nine years. It is a generally accepted norm of good practice that the Chair of the Board should act with a proper degree of independence from the Company's management team when exercising his or her oversight of the functioning of the Board.

It is not clear from company reporting that the recommendations of the Parker report (2016), which seeks to improve the ethnic and cultural diversity

of UK boards, are being sufficiently addressed and acted upon.

An **Oppose Vote** is recommended

#### **5 Re-elect Jane Toogood - Non-Executive Director**

Independent Non-Executive Director.

A **For Vote** is recommended

#### **6 Re-elect Janet Ashdown - Non-Executive Director**

Independent Non-Executive Director.

A **For Vote** is recommended

#### **7 Re-elect Brendan Connolly - Non-Executive Director**

Designated non-executive director workforce engagement. It would be preferred that companies appoint directors from the workforce rather than designate a non-executive director (NED). Support will be recommended for the election or re-election of designated NEDs provided that no significant employment relations issues have been identified.

A **For Vote** is recommended

#### **8 Re-elect David Thomas - Non-Executive Director**

Independent Non-Executive Director.

A **For Vote** is recommended

#### **9 Re-elect Jakob Sigurdsson - Chief Executive**

Chief Executive Officer. It is noted that this executive director holds non-executive positions at another listed company.

When executives hold external NED positions, it is considered that the company should disclose how much time they dedicate to the company. In particular, it is considered that they should dedicate at least 20 working days per month to the company where they hold executive functions, as this is the equivalent of a full-time employment.

The Chief Executive is considered accountable for the Company's Sustainability programme. In addition to overboarding concerns the Company's sustainability policies and practices are not considered adequate to minimize material risks linked to sustainability.

An **Oppose Vote** is recommended

#### **10 Re-elect Martin Court - Executive Director**

Executive director. It is noted that this executive director holds non-executive positions at another listed company.

When executives hold external NED positions, it is considered that the company should disclose how much time they dedicate to the company. In particular, it is considered that they should dedicate at least 20 working days per month to the company where they hold executive functions, as this is the equivalent of a full-time employment. The Company has failed to disclose the directors time commitment.

A **For Vote** is recommended

#### **11 Re-elect Richard Armitage - Executive Director**

Executive director. It is noted that this executive director holds non-executive positions at another listed company.

When executives hold external NED positions, it is considered that the company should disclose how much time they dedicate to the company. In particular, it is considered that they should dedicate at least 20 working days per month to the company where they hold executive functions, as this is the equivalent of a full-time employment. The Company has failed to disclose the directors time commitment.

An **Abstain Vote** is recommended

#### **12 Elect Ros Rivaz - Senior Independent Director**

Senior Independent Director. Considered independent.

A **For Vote** is recommended

#### **15 Approve Political Donations**

The proposed authority is subject to an overall aggregate limit on political donations and expenditure of GBP 12,500. The Company did not make any political donations or incur any political expenditure and has no intention either now or in the future of doing so. Within recommended limits.

A **For Vote** is recommended

#### **16 Issue Shares with Pre-emption Rights**

The authority is limited to one third of the Company's issued share capital. This cap can increase to two-thirds of the issued share capital if shares are issued in connection with an offer by way of a rights issue. All directors are standing for annual re-election. This resolution is in line with normal market practice and expires at the next AGM.

A **For Vote** is recommended

#### **17 Issue Shares for Cash**

Authority is limited to 5% of the Company's issued share capital and will expire at the next AGM. Within acceptable limits.

A **For Vote** is recommended

#### **18 Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment**

The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. The proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice is to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. It is noted this resolution registered a significant number of oppose votes of 10.81% at the 2020 AGM.

An **Oppose Vote** is recommended

## 19 Authorise Share Repurchase

The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders.

An **Oppose Vote** is recommended

## 21 Adopt New Articles of Association

It is noted the board is seeking shareholder approval for the adoption of New Articles of Association. It is sought that the regulations contained in the document produced at the meeting and initialled by the chair of the meeting for the purpose of identification are adopted as the company's New Articles of Association. It is noted the requirement, contained in the current Articles of Association, that a Director must vacate their office if they suffer from physical or mental ill health is removed due to the Mental Health (Discrimination) Act 2013. The New Articles also provide a Director's office will terminate where such Director is also an employee of the Group and that employment ceases. Also, Article 79 of the current Articles of Association requires non-executive Directors who have been in office as such for a continuous period of nine years or more at the date of an Annual General Meeting to retire at that Annual General Meeting. The New Articles exclude this requirement, but retain the requirement for all Directors to retire by rotation periodically. The Board will, in accordance with the provisions of the UK Corporate Governance Code, identify in the Company's Annual Report each year which of the non-executive Directors it considers to be independent and the reasons why it considers any non-executive Director who has been in office for a continuous period of nine years or more to be independent. This is in addition to other amendments proposed (Please see pages 162 & 163 of the Annual Report). This proposal is considered to be a technical item in order to publish a new version of the Articles, including the proposed amendments.

A **For Vote** is recommended



## APPLE INC

AGM, 23 February 2021

**Apple Inc. designs, manufactures and markets mobile communication and media devices, personal computers and portable digital music players, and sells a variety of related software, services, accessories, networking solutions and third-party digital content and applications.**

### 1.1 Elect James Bell - Non-Executive Director

Independent Non-Executive Director.

A **For Vote** is recommended

### 1.2 Elect Tim Cook - Chief Executive

Chief Executive. This director is considered to be accountable, at board level, for issues where the company has been involved during the year, namely: the settlements regarding the alleged slowing of older iPhone models, and the alleged 'bullying' of smaller competitors, and anti-competitive behavior. The company has failed to discuss these issues adequately with shareholders and to disclose a road map for preventing further failures within sanctions regulations.

An **Oppose Vote** is recommended

### 1.3 Elect Al Gore - Non-Executive Director

Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.

An **Oppose Vote** is recommended

### 1.4 Elect Andrea Jung - Non-Executive Director

Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.

An **Oppose Vote** is recommended

### 1.5 Elect Arthur Levinson - Chair (Non Executive)

Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.

An **Oppose Vote** is recommended

### 1.6 Elect Monica Lozano - Non-Executive Director

Independent Non-Executive Director.

A **For Vote** is recommended

### 1.7 Elect Ronald Sugar - Non-Executive Director

Non-Executive Director. Not considered independent owing to a tenure of over nine years.

There is insufficient independent representation on the Board. Further, this director is chair of the audit committee, one of the responsibilities of which is overseeing environmental matters and the company's ESG rating does not meet guidelines. An **Oppose Vote** is recommended

### 1.8 Elect Susan L. Wagner - Non-Executive Director

Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Further, as chair of the nomination committee with oversight over Governance and Stakeholder engagement matters and the company's ESG rating does not meet guidelines. An **Oppose Vote** is recommended

## 2 Appoint the Auditors

EY proposed. Non-audit fees represented 14.68% of audit fees during the year under review and 15.62% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than ten years and there are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

An **Oppose Vote** is recommended

## 3 Advisory Vote on Executive Compensation

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment.

**Disclosure:** - The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The grant of performance awards was based on the achievement of set levels of specific performance targets: net sales and operating income. The performance-based long term incentive is subject to quantified performance targets for relative TSR.

**Balance:** - The Company does not consider non-financial metrics in its assessment of performance. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. The Company uses only one performance metrics to determine the payout of performance awards. Instead of the use of a sole performance metric, it would be preferred that payout be linked to at least two or more performance metrics, with the inclusion of a non-financial performance criteria. Performance measures attached to long-term incentives do not duplicate

those attached to other awards, which is considered acceptable practice. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages.

**Contract:** - The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Cash severance is limited to three times base salary; which is welcomed. Cash severance is limited to three times base salary; which is welcomed. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. Equity awards are subject to pro-rata vesting, which is in line with best practice. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control.

An **Abstain Vote** is recommended

## 4 Shareholder Resolution: Proxy Access

**Proponent's argument:** Shareholders ask the board of directors (the "Board") to amend its "Proxy Access for Director Nominations" bylaw, and any other associated documents, to include the following changes or their equivalent for the purpose of increasing the potential number of nominees: The number of "Shareholder Nominees" eligible to appear in proxy materials shall be 20% of the directors then serving or 2, whichever is greater. Current proxy access bylaws restrict Shareholder Nominees to 20% of directors rounded down to the nearest whole number. Apple has only 7 directors. 20% of 7, rounding down to the nearest whole number is 1. Therefore, Apple allows shareholders to nominate only one director, given the current board size. The Council of Institutional Investors notes: "It is important that shareholder nominees have meaningful representation on the board, and in many or most cases, one director is insufficient to achieve that goal. Having at least two nominees helps ensure that the nominees, if elected, can serve on multiple committees and have greater opportunities to bring an independent perspective into board decisions."

**Company's response:** The board recommends voting against this proposal. Apple has received a proxy access proposal every year for the last seven years and, in each case, the proposal failed to receive majority support. As in previous years, we continue to believe that the changes

advocated by the proponent are not necessary because Apple shareholders already have an effective mechanism for proxy access. Apple has a small Board compared to many public companies, and if approved this proposal could have negative unintended consequences, putting the company and shareholder value at risk. After careful consideration of the varying viewpoints offered by many of the shareholders, the Board amended Apple's bylaws to adopt proxy access in December 2015. The bylaws permit a shareholder, or a group of up to 20 shareholders, owning at least 3% of Apple's outstanding shares of common stock continuously for at least three years, to nominate and include in Apple's annual proxy materials director nominees constituting up to 20% of the Board, provided that the shareholder(s) and nominee(s) satisfy the procedural and eligibility requirements specified in the bylaws. After closely monitoring proxy access developments and engaging with many of the largest shareholders, governance experts, and advisors to discuss evolving market practices and the preferences of the shareholders, the Board adopted enhancements to the "secondary" elements of the proxy access provisions in the bylaws in December 2016. These enhancements made it easier for shareholders to nominate proxy access candidates by eliminating the requirement that a nominating shareholder's loaned shares be recalled at the time the shareholder provides notice to Apple; eliminating the prohibition on re-nomination of a proxy access candidate if the candidate receives a low level of support at the annual meeting; limiting the circumstances under which the maximum number of proxy access candidates is reduced; extending the deadline by which nominating shareholders and proxy access candidates must provide certain information to Apple; narrowing the scope of a nominating shareholder's indemnification obligations; and limiting the discretion of the Board to unilaterally interpret the proxy access provisions.

**PIRC analysis:** The move, which would strengthen shareholder democracy is supported; and it is considered that the proposal would help to increase independent representation on the Board. The requested threshold for holding requirement for nominators is considered sufficient. Furthermore, the nomination of new Board members would facilitate greater independence in the oversight of the Company. Support is therefore recommended.

A **For Vote** is recommended

## 5 Shareholder Resolution: Improve Executive Compensation Program

**Proponent's argument:** Apple's executive compensation program considers only two factors: "consistent and effective program design" which means annual base salary, annual cash incentive and long-term equity awards, and "aligned with shareholder interests and company performance" without any consideration of ethical, social and

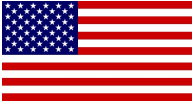
economic factors, such as the NEOs pay ratios. America's ballooning executive compensation is neither responsible for the society nor sustainable for the economy, especially under the current pandemic crisis. Reducing the NEOs pay ratios should be included to the principles of executive compensation program. The Compensation Committee has the flexibility to include other ethical, social and economic factors.

**Company's response:** The Board recommends a vote against this proposal: " Our executive compensation program is based on clear guiding principles and sound compensation practices that align the compensation of our named executive officers with the interests of our shareholders. It is designed to motivate and reward exceptional performance in a straightforward and effective way, while also recognizing the size, scope, and success of Apple's business. Moreover, shareholders have an annual opportunity to cast an advisory vote to approve the compensation of our named executive officers and have indicated strong support for our executive compensation program for each of the past five years. While the ratio of CEO pay to the pay of the median compensated employee is a required disclosure under SEC rules, the Compensation Committee does not believe that the pay ratios of our named executive officers should generally define or guide the principles of our executive compensation program. However, we fundamentally agree that it is important to take actions that drive accountability in areas that are important to the long-term success of our business, and beginning in 2021, an environmental, social, and governance modifier based on Apple Values and other key community initiatives will be incorporated into the annual cash incentive program for our named executive officers."

**PIRC analysis:** The disclosure of the pay ratio between the pay of the CEO or the NEOs and that of the median employee, is mandatory in the US under SEC rules (and applies to US-listed companies such as this) and in several other major Western economies and is considered not only to be best practice but also to provide useful information to shareholders to help guide their approval or disapproval of the executive compensation programmes at a company. Several companies have disclosed the figure voluntarily without any damage to their ability to recruit and incentivise senior level employees. Support for the resolution is recommended.

A **For Vote** is recommended





## DEERE & COMPANY

AGM, 24 February 2021

Deere & Company operations are categorised into three major business segments. The agriculture and turf segment primarily manufactures and distributes a full line of agriculture and turf equipment and related service parts; the construction and forestry segment primarily manufactures and distributes a broad range of machines and service parts used in construction, earthmoving, material handling and timber harvesting; and the financial services segment primarily finances sales and leases by John Deere dealers of new and used agriculture and turf equipment and construction and forestry equipment. The Company was incorporated under the laws of Delaware in 1958.

### 1.a Elect Tamra A. Erwin - Non-Executive Director

Independent Non-Executive Director.

A **For Vote** is recommended

### 1.b Elect Alan C. Heuberger - Non-Executive Director

Independent Non-Executive Director.

A **For Vote** is recommended

### 1.c Elect Charles O. Holliday, Jr. - Non-Executive Director

Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.

An **Oppose Vote** is recommended

### 1.d Elect Dipak C. Jain - Non-Executive Director

Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.

An **Oppose Vote** is recommended

### 1.e Elect Michael O. Johanns - Non-Executive Director

Independent Non-Executive Director.

A **For Vote** is recommended

### 1.f Elect Clayton M. Jones - Non-Executive Director

Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board. Chair of the Corporate Governance Committee and the Chair is considered accountable for the Company's sustainability programme

and there are concerns over the Company's sustainability policies and practice.

An **Oppose Vote** is recommended

### 1.g Elect John C. May - Chair & Chief Executive

Chair and CEO. Combined roles at the head of the Company. There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal.

An **Oppose Vote** is recommended

### 1.h Elect Gregory R. Page - Non-Executive Director

Independent Non-Executive Director.

A **For Vote** is recommended

### 1.i Elect Sherry M. Smith - Non-Executive Director

Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the Board.

An **Oppose Vote** is recommended

### 1.j Elect Dmitri L. Stockton - Non-Executive Director

Independent Non-Executive Director.

A **For Vote** is recommended

### 1.k Elect Sheila G. Talton - Non-Executive Director

Independent Non-Executive Director. There are concerns over the director's potential time commitments, and the director could not prove full attendance of board and committee meetings during the year.

An **Abstain Vote** is recommended

## 2 Advisory Vote on Executive Compensation

The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment.

**Disclosure:** - The Company has failed to provide the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency. The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The grant of performance awards was based on the achievement of set levels of specific performance targets: OROA & ROE. The performance-based long term incentive is subject to quantified performance targets for SVA

& TSR.

**Balance:** - The Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. The Company does not consider non-financial metrics in its assessment of performance. For the year under review, annual bonus payouts are considered to be excessive as they represent more than 200% of base salary. Maximum long-term award opportunities are not limited to 200% of base salary, which raises concerns over the potential excessiveness of the remuneration structure. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice. Executive compensation is aligned with peer group averages.

**Contract:** - The Company maintains a

supplemental executive retirement plan for the benefit of certain officers; which is not in line with best practice. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. Change-in-control payments are subject to double-trigger provisions. Good reason has been appropriately defined. The claw-back policy is considered appropriate as it applies to short- and long-term incentives, and is not limited to cases of financial misstatement. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern.

An **Oppose Vote** is recommended

### 3 Appoint the Auditors

Deloitte proposed. Non-audit fees represented 0.38% of audit fees during the year under review and 6.54% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than five years and there are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor.

An **Abstain Vote** is recommended

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PIRC advises institutional investors with assets in excess of £1.5 trillion.

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