Triodos Investment Management

CRODA INTERNATIONAL PLC

MEETING DATE	Thu, 23 Apr 2020 12:00	TYPE	AGM	ISSUE DATE	Fri, 17 Apr 2020
MEETING LOCATION	Cowick Hall, Snaith, Goole, East Yorkshire, DN14 9AA				
CURRENT INDICES	FTSE 100				
SECTOR	Specialty Chemicals				

	PROPOSALS	ADVICE
1	**Receive the Annual Report** Disclosure is adequate. The financial statements were made available sufficiently before the meeting and have been audited and certified. Adequate employment and environmental policies are in place and relevant, up-to-date, quantified, environmental reporting is disclosed. The Company also disclosed the proportion of women on the Board, in Executive Management positions and within the whole organisation.	**For**
2	**Approve Remuneration Policy** The maximum potential awards under all the incentives schemes for the CEO are excessive as they can amount 375% of salary (under normal circumstances). Certain features of the PSP are also of concern: no non-financial metrics are used and the performance conditions are not interdependent. The grant of up to 300% of salary in exceptional circumstances (e.g. recruitment) are considered unacceptable. On termination, there are concerns that the Remuneration Committee can use its discretion to disapply time pro-rating on outstanding LTIP awards. Rating: ADD Triodos opposes this resolution.	**Oppose**
3	**Approve the Remuneration Report** It is noted the remuneration report registered a significant number of oppose votes of 11.28% at the 2019 AGM which has not been adequately addressed. The change in the CEO's salary compared to the change in employee salary is acceptable; the CEO's salary increased by 3.0% while UK employees salaries rose by 4.1%. The CEO's salary is in the upper quartile of the Company's comparator group which raises concerns over the excessiveness of his pay. The balance of CEO realised pay with financial performance is not considered acceptable as the change in CEO total pay over five years is not commensurate with the change in TSR over the same period. The CEO's total realised variable pay for the year under review amounts to 142.26% of salary which consists of only the LTIP as no annual bonus was paid out. The ratio of CEO pay compared to average employee pay is considered acceptable standing at 16:1. On balance, the remuneration structure at the company cannot be supported. Rating: AD Triodos opposes this resolution.	**Oppose**
4	**Approve the Dividend** A final dividend of GBP 50.5 pence per share is proposed, which brings the total dividend for the year under review to GBP 90 pence per share. This payment is covered by retained earnings.	**For**
5	**Re-elect Roberto Cirillo** Independent Non-Executive Director.	**For**
6	**Re-elect Jacqui Ferguson** Independent Non-Executive Director.	**For**
7	**Re-elect Steve Foots** Chief Executive. Acceptable service contract provisions.	**For**

8 Re-elect Anita Frew **Abstain**

Non-Executive Chair of the Board. Independent on appointment. The Chair of the Board is considered accountable for the Company's Sustainability programme and the Company's sustainability policies and practice are not considered to be adequate in order to minimize material risks linked to sustainability.

Triodos abstains this resolution.

9 Re-elect Helena Ganczakowski **Oppose**

Senior Independent Director. Considered independent. She is chair of the Remuneration committee and the Remuneration policy is considered to fall well below best practice.

Triodos opposes this resolution.

10 Re-elect Keith Layden **For**

Non-Executive Director. Not considered independent as he previously served as an Executive Director and Chief Technology Officer of the Company until 1 May 2017. There is sufficient independent representation on the Board.

11 Re-elect Jez Maiden **For**

Group Finance Director. Acceptable service contract provisions.

12 Elect John Ramsay **For**

Newly-appointed Independent Non-Executive Director.

13 Re-appoint KPMG LLP as Auditor **For**

KPMG proposed. Non-audit fees represented 10.00% of audit fees during the year under review and 3.45% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor.

14 Allow the Audit Committee to Determine the Auditor's Remuneration **For**

Standard proposal.

15 Approve EU Political Donations and Expenditure **For**

The proposed authority is subject to an overall aggregate limit on political donations and expenditure of GBP 50,000. he 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.

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

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. Support is recommended.

17 Issue Shares for Cash **For**

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

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

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. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transaction if such situation arises. As this is not the case, an oppose vote is therefore recommended.

19 Authorise Share Repurchase **For**

The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM.

20 Meeting Notification-related Proposal **Oppose**

All companies should aim to provide at least 20 working days notice for general meetings in order to give shareholders sufficient time to consider what are often complex issues. Although the proposed change is permissible by the Companies Act, Triodos does not support this resolution.

21 Amend Performance Share Plan 2014 **Oppose**

The board is seeking shareholder approval for the amendment of the performance share plan. It is noted the rules of the plan impose a limit on the market value of shares in the company that can, in normal circumstances, be made subject to awards granted to an individual participant under the plan in any financial year of the company. The current limit is that the aggregate market value of the shares subject to awards made under the plan to an individual in any financial year of the company cannot, in normal circumstances, exceed 200% of the individual's base salary. The company is proposing that the individual limit is increased by 25%, from 200% to 225% of the individual's base salary. It is also noted the proposed increase is sought in order to enable the company to maintain and operate a competitive long term incentive arrangement for its executives.

LTIP schemes are not considered an effective means of incentivising performance and are inherently flawed. There is the risk that they are rewarding volatility rather than the performance of the company. They are acting as a complex and opaque hedge against absolute company underperformance and long-term share price falls. They are also a significant factor in reward for failure. Based on these reasons, an oppose vote is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 18 - Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment

The Company has stated that this additional authority will only be used to fund one or more acquisitions or specified capital investments, in line with the Pre-Emption Group Guidelines. This recommendation is not supported by PIRC.

Proposal 20 - Meeting Notification-related Proposal

The proposed resolution reflects the implementation of the EU Shareholder Rights Directive into English law, which took place on 3 August 2009 as implemented by the company in its Articles of Association. Under the regulations, the minimum notice period for general meetings (other than Annual General Meetings) will increase to 21 days unless shareholders agree on a shorter notice period, in which case it may be 14 days. Shareholder approval is sought to call general meetings on 14 clear days notice.

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