

# Croydon Council

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> 5 March 2013
<b>AGENDA ITEM:</b>	<b>10</b>
<b>SUBJECT:</b>	<b>PIRC: Voting Actions (FTSE350) – October to end December 2012 and Commentary on Significant Governance Issues</b>
<b>LEAD OFFICER:</b>	<b>Executive Director of Corporate Resources and Customer Services</b>
<b>CABINET MEMBER</b>	<b>Deputy Leader (Statutory) and Cabinet Member for Housing, Finance and Asset Management</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Sound Financial Management: To fulfil the Council’s obligations in relation to Pension Fund shareholder activism as identified in the Myners’ Report.	
<b>FINANCIAL SUMMARY:</b> There are no direct financial consequences for this report.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO.: N/A</b>	

**For general release**

<b>1</b>	<b>RECOMMENDATIONS</b>
1.1	The Committee is requested to note the report and to adopt the latest, 2013, version of the UK shareholder voting guidelines.

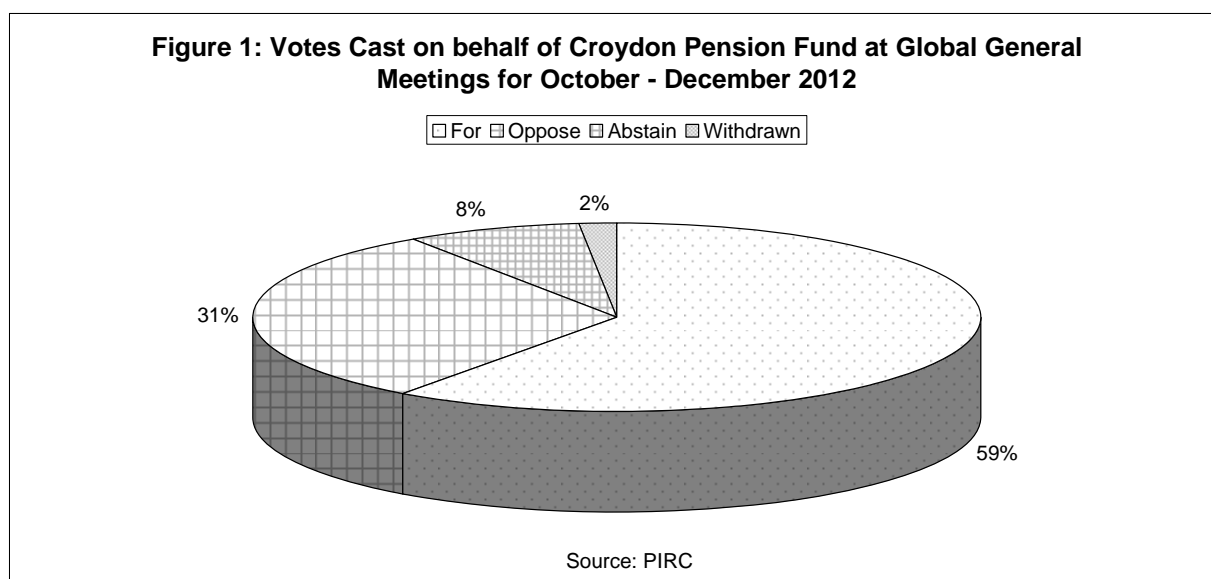
## **2. EXECUTIVE SUMMARY**

- 2.1 This report provides the Committee with details of how the Pension Fund fulfils its commitment to being a socially responsible investor through voting and through the work of the Local Authority Pension Fund Forum (LAPFF). It highlights significant areas of engagement during the quarter and details LAPFF board structures changes. The report also informs members that the latest version of the UK shareholder voting guidelines has been published.

### 3. DETAIL

#### Voting

- 3.1 The Croydon Fund requires portfolio managers to adopt the principles of socially responsible investing by voting in accordance with agreed guidance for those companies that they own. The Fund's three segregated equity funds, managed by: Global Thematic Partners; Fidelity; and Franklin Templeton fulfil this mandate by delegating the process to PIRC, the consultancy that advises the authority on activism issues. Directing voting at company Annual and other General Meetings fulfils the Council's responsibilities on Activism which is one of the key principles identified in the Myners' Report as best practice for investment decisions. The Council has a duty under the Regulations to publish its compliance with the Myners' Principles.
- 3.2 The votes cast in the UK and Global markets are as set out in Figure 1:



Total resolutions voted	Votes Cast	Issues where voted	Against	Abstained
For	257	Board Structure	55	8
Against	131	Remuneration	21	2
Abstain	33	Auditors	6	4
Withdrawn	7	Miscellaneous	49	19
<b>TOTAL</b>	<b>428</b>		<b>131</b>	<b>33</b>

During the same quarter Sarasin, who also manage a portfolio of equities for the Fund, also voted as equity owners. This manager follows separate guidelines that align with those published by PIRC. Their votes were cast on the Fund's behalf as follows:

<b>Total resolutions voted</b>	<b>Votes Cast</b>
<b>Sarasin EquiSar Global Thematic Fund</b>	
For	65
Against	19
Abstain	1
Withhold	20
<b>TOTAL</b>	<b>105</b>

- 3.3 The casting of votes is seen as a positive way in which shareholders can assist in the improvement of corporate governance and therefore performance of the companies in which they invest - thus complying with the Council's Statement of Investment Principles.
- 3.4 PIRC has published the 2013 edition of their Shareholder Voting Guidelines and a copy is attached as an appendix to this report. The Committee is recommended to endorse the adoption of these latest voting guidelines.
- 3.5 Highlights of LAPFF engagement during the fourth quarter of 2012 include:
- Attending the News Corporation AGM in Los Angeles to speak to the resolution filed by LAPFF members and Christian Brothers Investment Services asking for an independent chair for the Corporation. The resolution received 67% support from independent shareholders, but was not carried because of the powerful family voting block representing the Murdoch family.
  - Responding to the DEFRA consultation on greenhouse gas emission reporting regulations. A delegation met with BP, together with CCLA, to discuss their carbon emissions management and positioning for a low carbon economy.
  - Launched the Smith Institute report 'Investing for Growth' at a parliamentary event in October, co-sponsored by LAPFF. The Forum's 'People and Investment' report was launched at the Forum's annual conference.
  - Continued to engage companies and policy-makers on the issue that international accounting standards can overvalue assets and calling for reform of International Financial Reporting Standards.
  - Discussed labour relations, succession planning and board diversity with National Express.

- Met with the chairman and chair of the audit committee of Royal Bank of Scotland to discuss 'true and fair view' accounting, and recent fines and reputational risk in the banking sector.

3.5 Councillor Kieran Quinn, chair of Greater Manchester Pension Fund, was appointed as chair of Local Authority Pension Fund Forum (LAPFF) at its annual general meeting in January 2013. Councillor Quinn replaced Ian Greenwood, chair of the West Yorkshire Pension Fund, who has led LAPFF since January 2008. Councillor Cameron Rose, representing Lothian Pension Fund, and Ian Greenwood, has been appointed to the posts of vice-chair.

#### **4. CONSULTATION**

4.1 The admitted and scheduled bodies will be informed that details of the voting actions can be found on the Council's Pension web site [www.croydon.gov.uk/finance/pensions](http://www.croydon.gov.uk/finance/pensions)

#### **5. FINANCIAL CONSIDERATIONS**

5.1 There are no other considerations arising from this report.

#### **6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

6.1 The Council Solicitor comments that there are no direct legal implications arising from this report.

**(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer )**

)

#### **7. OTHER CONSIDERATIONS**

7.1 There are no Human Resources, Customer Focus, Equalities, Environment and Design, Crime and Disorder, Human Rights, Freedom of Information or Data Protection considerations arising from this report.

7.2 The Pensions Committee meetings are formal meetings of the Council and as such, are subject to existing legislation regarding access for information and publication of reports. The reports of the Committee are accessible under the Freedom of Information Act 2000 as part of the Council's Publication Scheme.

---

**CONTACT OFFICER:**

Nigel Cook - Head of Pensions and Treasury Management  
Corporate Resources and Customer Services Department, ext. 62552

**BACKGROUND DOCUMENTS:**

Schedule of votes cast by PIRC and Fund Managers  
The 2013 edition of the PIRC Shareholder Voting Guidelines