

# Croydon Council

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>14 May 2013</b>
<b>AGENDA ITEM:</b>	<b>10</b>
<b>SUBJECT:</b>	<b>PIRC: Voting Actions (FTSE350) for – January to end March 2013 and Commentary on Significant Governance Issues</b>
<b>LEAD OFFICER:</b>	<b>Director of Finance and Assets (Section 151 Officer)</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.

## **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.

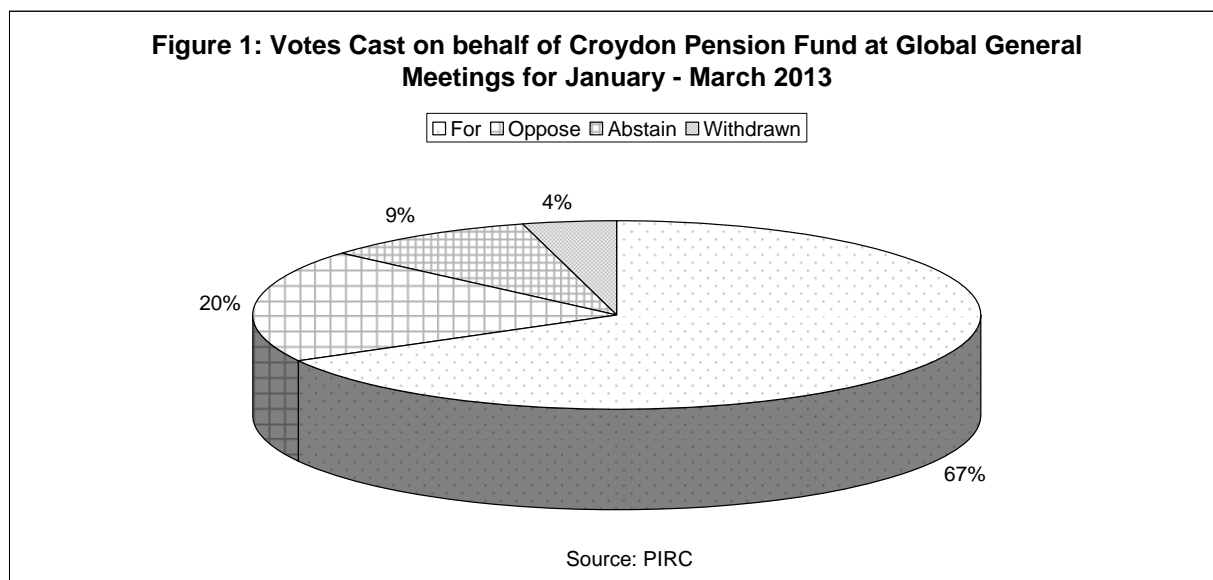
## **3. DETAIL**

### **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
For	397
Against	116
Abstain	55
Withdrawn	25
<b>TOTAL</b>	<b>593</b>

During the same quarter Sarasin, who also manage a portfolio of equities for the Fund, also voted as equity owners in 5 company meetings. This manager follows separate guidelines that align with those published by PIRC. Their votes were cast on the Fund’s behalf as follows:

Total resolutions voted	Votes Cast
<b>Sarasin EquiSar Global Thematic Fund</b>	
For	24
Against	5
Abstain	0
Withhold	4
<b>TOTAL</b>	<b>33</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 LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the Forum brings together a diverse range of local authority pension funds in the UK with combined assets of over £115 billion.

3.5 Highlights of LAPFF engagement during the first quarter of 2013 include:

- Launched LAPFF's new 'Expectations for Executive Pay,' and sent the document to the FTSE 350 Chairmen for consideration.
- Met with the chairman of **British American Tobacco** to discuss health risks related to the manufacture and sale of tobacco products.
- Attended the **Lonmin** AGM to enquire about the company's ongoing response to issues flagged up by the violent strike at its Markiana mine.
- Received reply from **Tesco** on questions raised regarding business risks and labour concerns at its Fresh & Easy operations in the United States.
- Engaged in ongoing dialogue with **National Express** on disparity in application of global labour standards
- Wrote to **JP Morgan & Chase** welcoming the decision by the remuneration committee to reduce the CEO's remuneration following the recent trading scandal and subsequent financial losses in its London offices.
- Held a conference call with **Comcast** regarding separation of chair and CEO, majority voting and the company's dual class share structure.
- Participated in an investor call with directors of **Hewlett Packard** regarding the controversial takeover of **Autonomy** and subsequent questions raised about its Auditors.
- Met the senior independent director at **Société Generale** to discuss the concentration of power held by the joint chair/chief executive.

#### 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.

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**BACKGROUND DOCUMENTS:** None