

REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT

PROXY VOTING

Purpose of the Report

1. To report on the voting of equity holdings in the second and third quarters of 2013.

Information and Advice

2. The CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Statement of Investment Principles and report periodically on the discharge of such responsibilities. The Fund's statement on responsible investment states that "the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds".
3. The Fund retains responsibility for voting (rather than delegating to its investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Voting is implemented by Pensions Investment Research Consultants (PIRC). PIRC issue Shareholder Voting Guidelines each year and the latest version places even greater emphasis on management of shareholders' capital and remuneration policies. PIRC use these guidelines when implementing voting on behalf of the Fund.
4. During the second and third quarters of 2013, 710 meetings were held with a total of 9,818 voting resolutions. A list of all meetings held during the period together with a full analysis of voting at each meeting can be found on the pension fund's website at <http://www.nottspf.org.uk/pensionfund/voting/>.
5. Overall, 32% of the votes cast were not in favour of the resolutions with Europe and the US having the highest percentage of oppose votes at 22% and 31% respectively. The UK meetings had 12% of oppose votes. The main oppose votes were on executive pay schemes, annual reports and remuneration reports. This demonstrates that the Fund continues to take its stewardship role seriously through considered exercise of its voting rights. A summary of the voting is shown in the table below.

2013 Q2 & Q3	UK	Europe	North America	Japan	Global	Total
For	2211 77%	1830 72%	1961 55%	716 85%	5 83%	6723 68%

Oppose	343	12%	556	22%	1103	31%	115	14%	1	17%	2118	22%
Abstain	321	11%	170	7%	178	5%	7	1%	0	0%	676	7%
Withhold	0	0%	0	0%	301	8%	0	0%	0	0%	301	3%
	2875		2556		3543		838		6		9818	

6. During the latest quarter the Competition Commission has published a provisional decision regarding the tendering of external audit services for FTSE 350 companies. Whilst the Commission stops short of the more radical proposal of mandatory rotation, it recommends the Financial Reporting Council's Audit Quality Review team should review every audit engagement in the FTSE 350 on average every five years. The Commission also proposes a prohibition of 'Big-4-only' clauses and a shareholder vote on whether Audit Committee Reports in company annual reports contain sufficient information.
7. The topical issue of tax avoidance was addressed by Farrer & Co, a leading legal firm, which says director's fiduciary duty is not to maximise shareholder value through tax avoidance. "It is not possible to construe a director's duty to promote the success of the company as constituting a positive duty to avoid tax", says the firm. The law firm was commissioned by the Tax Justice Commissioners to clarify this matter.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

- 1) That the report be noted.

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For any enquiries about this report please contact: Simon Cunnington

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

PIRC Notts Quarterly Report Q2 2013

