

**REPORT OF SERVICE DIRECTOR – FINANCE & PROCUREMENT****PROXY VOTING****Purpose of the Report**

1. To report on the voting of equity holdings in the first quarter 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).
4. PIRC issue Shareholder Voting Guidelines each year and the latest version, to be applied from 1 March 2013, places even greater emphasis on management of shareholders' capital and remuneration policies. The key changes are highlighted below:
  - Where it is clear that a company's adherence to International Financial Reporting Standards (IFRS) has led to a failure of the accounts to provide a true and fair view, the guidelines recommend opposition to the adoption of a company's report and accounts, audit committee members and the finance director responsible for the accounts in question.
  - All new long-term incentive plans will be opposed on the grounds that they are fundamentally flawed – they are not long term, they do not incentivise and they are ineffective due to amendments and manipulation by remuneration committees.
  - Greater scrutiny will be placed on the role of remuneration consultants and, where the reporting auditor is also the remuneration advisor to the same company, the guidelines recommend opposition to the adoption of a company's annual report and accounts, the re-election of the chair of the audit or remuneration committees and the re-appointment of the auditors.

5. PIRC use these guidelines when implementing voting on behalf of the Fund.
6. During the first quarter of 2013, 99 meetings were held with a total of 1,264 resolutions. Appendix A lists all meetings during the quarter at which the Fund voted. The table below shows the number of meetings by region at which votes were cast.

2013 Q1	Meetings	Meetings with oppose/abstain votes	
UK	29	24	83%
Europe	22	20	91%
US	27	27	100%
Japan	2	2	100%
Global	19	14	74%
<b>Total</b>	<b>99</b>	<b>87</b>	<b>88%</b>

7. Overall there were 87 meetings (representing 88% of the total) at which 1 or more oppose or abstain votes were cast. This high proportion of meetings with oppose or abstain votes shows that the Fund continues to take its stewardship role seriously through considered exercise of its voting rights. The full analysis of resolutions is shown in the table below.

2013 Q1	UK		Europe		US		Japan		Global		Total	
For	295	74%	202	66%	221	64%	37	95%	115	66%	870	69%
Oppose	65	16%	87	28%	82	24%	2	5%	43	25%	279	22%
Abstain	41	10%	18	6%	10	3%	0	0%	16	9%	85	7%
Withhold	0	0%	0	0%	30	9%	0	0%	0	0%	30	2%
	401		307		343		39		174		1264	

8. Overall, 31% of votes were not in favour of resolutions, with Europe and the US having the highest percentage of oppose votes at 34% and 36% respectively. The UK meetings had 26% of votes not in favour. The main oppose votes were on executive pay schemes, annual reports and corporate donations.
9. The first quarter has seen the publication of preliminary findings into the UK audit market by the Competition Commission. This report has found that competition in the audit market for FTSE 350 companies is limited by the dominance of the 'Big 4' audit firms and that the auditors do not address shareholders' needs. The Commission is looking to improve the market by mandatory tendering and rotation and by giving audit committees and shareholders greater control. At the same time, a group of over 30 major European institutional investors and investor associations have also looked at this issue and released a Position Paper seeking reform of the audit market to include mandatory rotation of the audit firm every 15 years, and a cap on non-audit work at 50% of the audit fee.
10. In March the Trades Union Congress (TUC) and its two largest affiliated unions, Unite and Unison, announced the formation of a union shareholder voting group.

The group, called Trade Union Share Owners, combines the assets from its members' pension funds for voting purposes and aims to address corporate governance issues such as all-male boards, excessive director pay and bonus packages, and the non-advertisement of new director positions.

## **Statutory and Policy Implications**

11. This report has been compiled after consideration of implications in respect of finance, equal opportunities, 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 Q1 2013

UK Meetings Q1 2013		
Company	Meeting Date	Meeting Type
1 CABLE & WIRELESS COMMUNICATIONS PLC	09 Jan 13	EGM
2 BELLWAY PLC	11 Jan 13	AGM
3 XCHANGING PLC	14 Jan 13	EGM
4 SPIRIT PUB COMPANY PLC	15 Jan 13	AGM
5 FENNER PLC	16 Jan 13	AGM
6 DIPLOMA PLC	16 Jan 13	AGM
7 ABERDEEN ASSET MANAGEMENT PLC	17 Jan 13	AGM
8 MARSTONS PLC	22 Jan 13	AGM
9 WH SMITH PLC	23 Jan 13	AGM
10 SMITHS NEWS PLC	24 Jan 13	AGM
11 REXAM PLC	24 Jan 13	EGM
12 SCOTTISH INVESTMENT TRUST PLC	25 Jan 13	AGM
13 IMPERIAL TOBACCO GROUP PLC	30 Jan 13	AGM
14 LONMIN PLC	31 Jan 13	AGM
15 MITCHELLS & BUTLERS PLC	31 Jan 13	AGM
16 COMPASS GROUP P	07 Feb 13	AGM
17 THOMAS COOK GROUP PLC	07 Feb 13	AGM
18 TUI TRAVEL PLC	07 Feb 13	AGM
19 PARAGON GROUP OF COS PLC	07 Feb 13	AGM
20 UNITED DRUG PLC	12 Feb 13	AGM
21 CABLE & WIRELESS COMMUNICATIONS PLC	28 Feb 13	EGM
22 SAGE GROUP PLC	01 Mar 13	AGM
23 ASIAN TOTAL RETURN INV COMPANY PLC	15 Mar 13	EGM
24 WILLIAM HILL PLC	18 Mar 13	EGM
25 RESOLUTION LTD	20 Mar 13	EGM
26 ST MODWEN PROPERTIES PLC	27 Mar 13	AGM
27 SVG CAPITAL PLC	27 Mar 13	AGM
28 RWS HOLDINGS PLC	11 Feb 13	AGM

Europe Meetings Q1 2013		
Company	Meeting Date	Meeting Type
1 RANDSTAD HOLDINGS NV	16 Jan 13	EGM
2 THYSSENKRUPP AG	18 Jan 13	AGM
3 SIEMENS AG	23 Jan 13	AGM
4 NOVARTIS AG	22 Feb 13	AGM
5 INFINEON TECHNOLOGIES AG	28 Feb 13	AGM
6 ROCHE HOLDING AG	05 Mar 13	AGM
7 BANCO BILBAO VIZCAYA ARGENTARIA SA (BBVA)	14 Mar 13	AGM
8 NORDEA BANK AB	14 Mar 13	AGM
9 DANSKE BANK AS	18 Mar 13	AGM

## Appendix A

10 SGS SA	19 Mar 13	AGM
11 NOVO NORDISK A/S	20 Mar 13	AGM
12 SWEDBANK AB	20 Mar 13	AGM
13 SVENSKA HANDELSBANKEN	20 Mar 13	AGM
14 ABERTIS INFRAESTRUCTURAS SA	20 Mar 13	AGM
15 GIVAUDAN SA	21 Mar 13	AGM
16 SKANDINAVISKA ENSKILDA BANKEN (SEB)	21 Mar 13	AGM
17 IBERDROLA SA	22 Mar 13	AGM
18 BANCO SANTANDER SA	22 Mar 13	AGM
19 UCB SA/NV	25 Mar 13	EGM
20 ELECTROLUX AB	26 Mar 13	AGM
21 EADS NV	27 Mar 13	EGM
22 RANDSTAD HOLDINGS NV	28 Mar 13	AGM

US Meetings Q1 2013		
Company	Meeting Date	Meeting Type
1 WALGREEN CO.	09 Jan 13	AGM
2 INTUIT INC.	17 Jan 13	AGM
3 MICRON TECHNOLOGY INC	22 Jan 13	AGM
4 JOHNSON CONTROLS INC	23 Jan 13	AGM
5 COSTCO WHOLESALE CORP.	24 Jan 13	AGM
6 BECTON DICKINSON & CO	29 Jan 13	AGM
7 VISA INC	30 Jan 13	AGM
8 MONSANTO CO.	31 Jan 13	AGM
9 EMERSON ELECTRIC CO.	05 Feb 13	AGM
10 ROCKWELL AUTOMATION INC.	05 Feb 13	AGM
11 ACCENTURE PLC	06 Feb 13	AGM
12 ROCKWELL COLLINS INC	07 Feb 13	AGM
13 DEERE & CO.	27 Feb 13	AGM
14 APPLE INC	27 Feb 13	AGM
15 APPLIED MATERIALS INC	05 Mar 13	AGM
16 QUALCOMM INC.	05 Mar 13	AGM
17 INTERNATIONAL GAME TECHNOLOGY	05 Mar 13	AGM
18 TYCO INTERNATIONAL LTD	06 Mar 13	AGM
19 WALT DISNEY CO.	06 Mar 13	AGM
20 TE CONNECTIVITY LTD	06 Mar 13	AGM
21 FRANKLIN RESOURCES INC	13 Mar 13	AGM
22 ANALOG DEVICES INC.	13 Mar 13	AGM
23 THE ADT CORP.	14 Mar 13	AGM
24 AGILENT TECHNOLOGIES INC	20 Mar 13	AGM
25 HEWLETT-PACKARD CO	20 Mar 13	AGM
26 STARBUCKS CORP.	20 Mar 13	AGM
27 VIACOM INC. 21 M	21 Mar 13	AGM

<b>Japan Meetings Q1 2013</b>		
<b>Company</b>	<b>Meeting Date</b>	<b>Meeting Type</b>
1 OTSUKA SHOKAI CO LTD	27 Mar 13	AGM
2 CANON INC	28 Mar 13	AGM

<b>Global Meetings Q1 2013</b>		
<b>Company</b>	<b>Meeting Date</b>	<b>Meeting Type</b>
1 EXOR SPA	15 Jan 13	EGM
2 DEOLEO SA	25 Jan 13	EGM
3 TUI AG	13 Feb 13	AGM
4 ZON MULTIMEDIA SERVICOS DE	07 Mar 13	EGM
5 SANMINA-SCI CORP	11 Mar 13	AGM
6 FONDIARIA SAI SPA	13 Mar 13	EGM
7 OUTOKUMPU OY	18 Mar 13	AGM
8 EXOR SPA	19 Mar 13	EGM
9 CIENA CORP.	20 Mar 13	AGM
10 BANKINTER	21 Mar 13	AGM
11 RAUTARUUKKI OY	21 Mar 13	AGM
12 VESTAS WIND SYSTEMS AS	21 Mar 13	AGM
13 HUFVUDSTADEN AB	21 Mar 13	AGM
14 FABEGE AB	21 Mar 13	AGM
15 ELISA CORP	25 Mar 13	AGM
16 SULZER LTD	27 Mar 13	AGM
17 AGEAS NV	28 Mar 13	EGM
18 NOBEL BIOCARE HOLDING AG	28 Mar 13	AGM
19 EXOR SPA 20 Mar	20 Mar 13	EGM