

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 2012.

Information and Advice

2. The Myners principles require pension funds to have an explicit strategy towards their holdings voting on issues that may affect the value of the Fund's investments. 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) based on their Shareholder Voting Guidelines.
4. During the first quarter of 2012, 102 meetings were held, of which 3 were not voted mainly because share had no voting rights. 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.

2012 Q1	Meetings	Meetings with oppose/abstain votes	
UK	23	20	87%
Europe	31	29	94%
US	27	27	100%
Japan	3	2	67%
Global	14	13	93%
Total	98	91	93%

5. Overall there were 91 meetings (representing 93% 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.

2012 Q1	UK		Europe		US		Japan		Global		Total	
For	257	77%	276	74%	200	62%	35	90%	63	60%	831	71%
Oppose	44	13%	66	18%	66	20%	4	10%	32	31%	212	18%
Abstain	34	10%	32	8%	12	4%	0	0%	9	9%	87	7%
Withhold	0	0%	0	0%	45	14%	0	0%	0	0%	45	4%
	335		374		323		39		104		1,175	

6. Overall, 29% of votes were not in favour of resolutions, with marked regional differences – the UK having 23% of such votes compared to 40% for global companies. The main topics that led to oppose votes included executive pay schemes, independence of board members, annual reports and appointment of auditors.
7. During the first quarter there were a number of high profile cases of executive pay in the banking sector. The RBS Chief Executive Stephen Hestor voluntarily gave up a £1m share award after media and political pressure despite many considering the award to be objectively ‘fair’ for the Chief Executive’s achievements at RBS. Lloyds were also in the news by seeking to clawback £2m of bonuses paid to its directors as a result of the mis-selling of payment protection insurance. This follows an announcement by the Financial Services Authority that bonuses should be clawed back if they are subsequently found to be undeserved.
8. The wider issue of effective corporate governance has been raised by the decision of Shell to close its final salary pension scheme, the last one of the FTSE100 companies to do so. Defined benefit scheme trustees have more of an influence on fund managers over the exercise of voting rights and engagement than in defined contribution schemes (where it is individual savers who effectively own the shares). Furthermore, the Kay Review on corporate governance highlights the reducing influence of bodies such as the ABI and NAPF (as their members have been reducing exposure to equities over recent years). Voting by fund managers often lacks transparency as, although the Companies Act 2006 provides for the disclosure of the exercise of voting rights, this clause has not been exercised.
9. The government is looking to reform executive pay as part of a wider response to the issue of ‘responsible capitalism’. One measure being consulted on is to legislate to strengthen shareholders voting on remuneration by requiring a 75% vote in favour. Other potential legislation may come as a desire to increase female representation at board level by the use of quotas if companies do not voluntarily address the issue. The Prime Minister has made recent comments to the effect that the evidence suggests that greater female representation would improve business performance and therefore the country’s economic prospects.

Statutory and Policy Implications

10. 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.

Name of Report Author: Simon Cunnington

Title of Report Author: Team Manager – Investments

For any enquiries about this report please contact: Simon Cunnington

2012 Quarter 1			
Company	Meeting Date	Meeting Type	
UK Meetings Q1			
1 ANGLO AMERICAN PLC	06 Jan 12	EGM	
2 DEBENHAMS PLC	10 Jan 12	AGM	
3 FENNER PLC	11 Jan 12	AGM	
4 BELLWAY PLC	13 Jan 12	AGM	
5 RESOLUTION LTD	13 Jan 12	EGM	
6 DIPLOMA PLC	18 Jan 12	AGM	
7 WH SMITH PLC	25 Jan 12	AGM	
8 SMITHS NEWS PLC	26 Jan 12	AGM	
9 LONMIN PLC	26 Jan 12	AGM	
10 MITCHELLS & BUTLERS PLC	26 Jan 12	AGM	
11 MARSTONS PLC	27 Jan 12	AGM	
12 SCOTTISH INVESTMENT TRUST PLC	27 Jan 12	AGM	
13 CAIRN ENERGY PLC	30 Jan 12	EGM	
14 IMPERIAL TOBACCO GROUP PLC	01 Feb 12	AGM	
15 COMPASS GROUP PLC	02 Feb 12	AGM	
16 TUI TRAVEL PLC	07 Feb 12	AGM	
17 THOMAS COOK GROUP PLC	08 Feb 12	AGM	
18 PARAGON GROUP OF COS PLC	09 Feb 12	AGM	
19 SAGE GROUP PLC	29 Feb 12	AGM	
20 OLD MUTUAL PLC	14 Mar 12	EGM	
21 SVG CAPITAL PLC	20 Mar 12	EGM	
22 SVG CAPITAL PLC	23 Mar 12	AGM	
23 RM PLC	26 Mar 12	AGM	
Meetings Not Voted			Reason Not Voted
1 DAILY MAIL & GENERAL TRUST	09 Feb 11	AGM	No voting rights

Europe Meetings Q1		
1 THYSSENKRUPP AG	20 Jan 12	AGM
2 SIEMENS AG	24 Jan 12	AGM
3 BANCA MONTE DEI PASCHI DI SIENA SPA	01 Feb 12	EGM
4 TUI AG	15 Feb 12	AGM
5 ENERGIAS DE PORTUGAL SA (EDP)	20 Feb 12	EGM
6 NOVARTIS AG	23 Feb 12	AGM
7 ROCHE HOLDING AG	06 Mar 12	AGM
8 INFINEON TECHNOLOGIES AG	08 Mar 12	AGM
9 SGS SA	12 Mar 12	AGM
10 BANCO BILBAO VIZCAYA ARGENTARIA SA (BBVA)	15 Mar 12	AGM
11 BANKINTER	15 Mar 12	AGM
12 AGEAS NV	19 Mar 12	EGM
13 UMICORE	21 Mar 12	EGM
14 CARLSBERG AS	22 Mar 12	AGM
15 GIVAUDAN SA	22 Mar 12	AGM

16 NORDEA BANK AB	22 Mar 12	AGM
Company	Meeting Date	Meeting Type
17 DANSKE BANK AS	27 Mar 12	AGM
18 ABERTIS INFRAESTRUCTURAS SA	27 Mar 12	AGM
19 ELECTROLUX AB	27 Mar 12	AGM
20 SWEDBANK AB	27 Mar 12	AGM
21 HUSQVARNA AB	28 Mar 12	AGM
22 SVENSKA HANDELSBANKEN	28 Mar 12	AGM
23 VESTAS WIND SYSTEMS AS	29 Mar 12	AGM
24 METSO OYJ	29 Mar 12	AGM
25 SKANDINAVISKA ENSKILDA BANKEN (SEB)	29 Mar 12	AGM
26 RANDSTAD HOLDINGS NV	29 Mar 12	AGM
27 ZURICH FINANCIAL SERVICES	29 Mar 12	AGM
28 SCA (SVENSKA CELLULOZA) AB	29 Mar 12	AGM
29 HOLMEN AB	29 Mar 12	AGM
30 UPM-KYMMENE OYJ	30 Mar 12	AGM
31 BANCO SANTANDER SA	30 Mar 12	AGM

US Meetings Q1

1 WALGREEN CO.	11 Jan 12	AGM
2 INTUIT INC.	19 Jan 12	AGM
3 MICRON TECHNOLOGY INC	24 Jan 12	AGM
4 MONSANTO CO.	24 Jan 12	AGM
5 JOHNSON CONTROLS INC	25 Jan 12	AGM
6 COSTCO WHOLESALE CORP.	26 Jan 12	AGM
7 BECTON DICKINSON & CO	31 Jan 12	AGM
8 VISA INC	31 Jan 12	AGM
9 ROCKWELL COLLINS INC	03 Feb 12	AGM
10 EMERSON ELECTRIC CO.	07 Feb 12	AGM
11 ROCKWELL AUTOMATION INC.	07 Feb 12	AGM
12 ACCENTURE PLC	09 Feb 12	AGM
13 APPLE INC	23 Feb 12	AGM
14 DEERE & CO.	29 Feb 12	AGM
15 INTERNATIONAL GAME TECHNOLOGY	05 Mar 12	AGM
16 EL PASO CORP.	06 Mar 12	EGM
17 QUALCOMM INC.	06 Mar 12	AGM
18 APPLIED MATERIALS INC	06 Mar 12	AGM
19 TYCO INTERNATIONAL LTD	07 Mar 12	AGM
20 TE CONNECTIVITY LTD	07 Mar 12	AGM
21 ANALOG DEVICES, INC.	13 Mar 12	AGM
22 COVIDIEN PLC	13 Mar 12	AGM
23 WALT DISNEY CO.	13 Mar 12	AGM
24 FRANKLIN RESOURCES INC	14 Mar 12	AGM
25 AGILENT TECHNOLOGIES INC	21 Mar 12	AGM
26 STARBUCKS CORP.	21 Mar 12	AGM
27 HEWLETT-PACKARD CO	21 Mar 12	AGM

Meetings Not Voted**Reason Not Voted**

Appendix A

1 APOLLO GROUP INC.	24-Jan-12	AGM	no voting rights
2 VIACOM INC.	08-Mar-12	AGM	no voting rights

Company	Meeting Date	Meeting Type
Japan Meetings Q1		
1 NICHIIKO PHARMACEUTICAL CO	28 Feb 12	AGM
2 OTSUKA SHOKAI CO LTD	28 Mar 12	AGM
3 CANON INC	29 Mar 12	AGM

Global Meetings Q1		
1 ZON MULTIMEDIA SERVICOS DE	30 Jan 12	EGM
2 ALLEGHANY CORP	06 Feb 12	EGM
3 SANMINA-SCI CORP	13 Feb 12	AGM
4 TUI AG	15 Feb 12	AGM
5 OUTOKUMPU OY	01 Mar 12	EGM
6 REINET INVESTMENTS SCA	05 Mar 12	EGM
7 SANMINA-SCI CORP	12 Mar 12	AGM
8 RAUTARUUKKI OY	14 Mar 12	AGM
9 OUTOKUMPU OY	14 Mar 12	AGM
10 FONDIARIA SAI SPA	16 Mar 12	EGM
11 CIENA CORP.	21 Mar 12	AGM
12 HUFVUDSTADEN AB	22 Mar 12	AGM
13 NOBEL BIO CARE HOLDING AG	29 Mar 12	AGM
14 FABEGE AB	29 Mar 12	AGM