

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

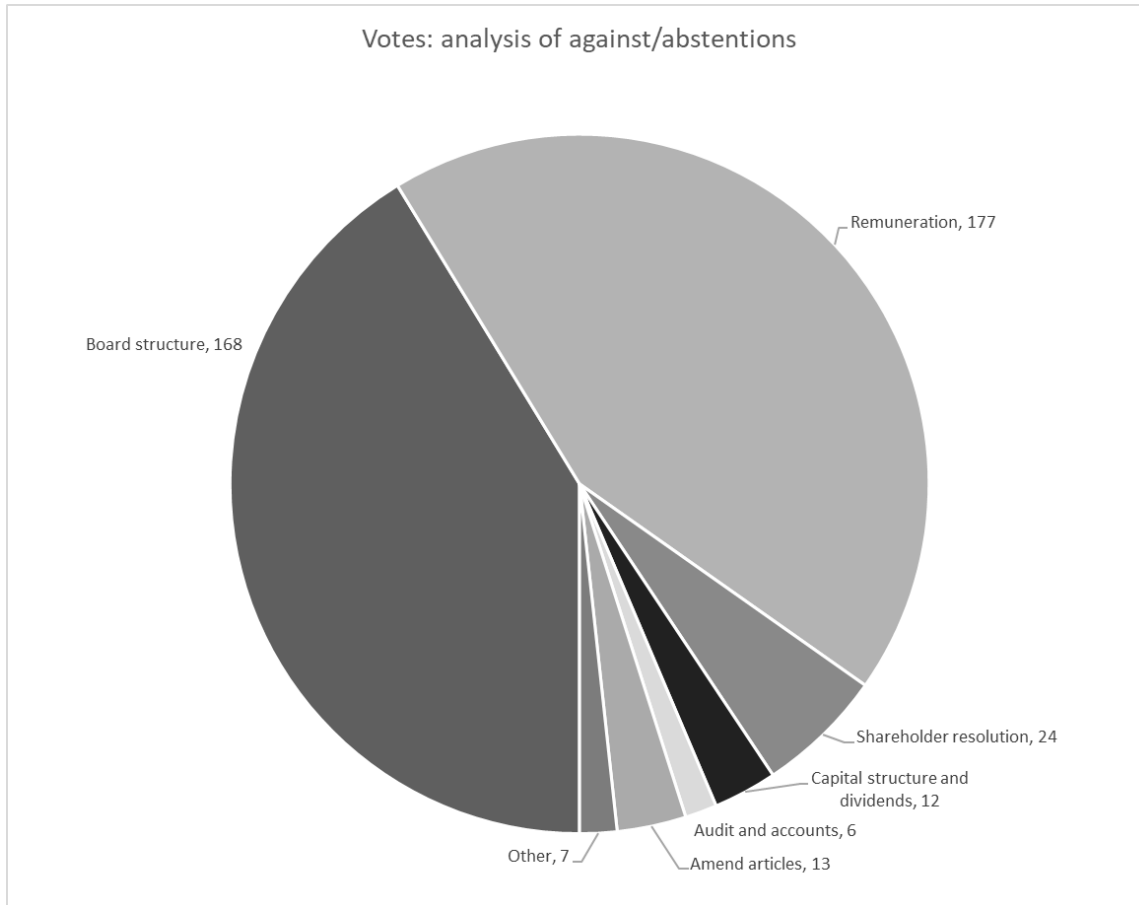
PROXY VOTING

Purpose of the Report

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in the final quarter of 2022 (calendar year) as part of this ongoing commitment.

Information

2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, and revised in 2020, highlights the responsibilities of institutional investors such as the Nottinghamshire Pension Fund. It defines stewardship as ‘the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society’. Stewardship includes, among other things, having a clear policy on voting and on the disclosure of voting activity.
3. Alongside this the CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Investment Strategy Statement 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’.
4. The Fund retains responsibility for voting any directly held shares (rather than delegating this to investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Since 1 January 2020 voting has been undertaken by Hermes EOS in line with the voting principles of LGPS Central.
5. Over the quarter to December 2022 Hermes EOS voted Nottinghamshire Pension Fund shares at 307 meetings (a total of 2,441 resolutions). Hermes opposed one or more resolutions at 154 meetings and voted with management by exception at 9 meetings. Hermes supported management on all resolutions at the remaining 144 meetings.
6. Hermes recommended voting against or abstaining on 408 resolutions over the last quarter. An analysis of the issues is shown below:



7. Most AGM votes relate to routine management items. Those relating to issues such as climate change only form a small proportion of the total votes by number, even where they represent a substantial amount of engagement time and effort. An overview of the Hermes EOS voting activity and detailed analysis of the key issues during the quarter is published on the Fund website (<http://www.nottspf.org.uk/about-the-fund/investments>) and with the meeting papers on the Council Diary (<http://www.nottinghamshire.gov.uk/dms/Meetings.aspx>).
8. Further detail on specific issues raised at company AGMs can be found in LGPS Central's quarterly *Stewardship Update*. The most recent Update (to September 2022) highlights among other things Central's voting with shareholder resolutions at the Tesla AGM in August: "The proposal to report climate lobbying in line with the Paris Agreement corresponded to our stewardship theme of climate change and received 34.3% support. The proposal to report on eradicating child labour in the company's battery supply chain was directly linked to our human rights theme and received 10.4% votes. Both these resolutions were unable to pass, but the notable shareholder support sends a strong message to Tesla management of investor concern and will be conducive to ongoing investor engagement". A link to this can be found on the Nottinghamshire Pension Fund 'Approach to Responsible Investment' webpage: <https://www.nottspf.org.uk/about-the-fund/responsible-investment/>

Statutory and Policy Implications

9. 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

10. That Nottinghamshire Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

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For any enquiries about this report please contact Ciaran Guilfoyle

Constitutional Comments (KK 29/03/2023)

11. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (TMR 03/04/2023)

12. There are no financial implications arising directly from this report.

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.

- [Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q4 2021](#)
- [LGPS Central – Voting Principles \(March 2019\)](#)
- [Financial Reporting Council, *The UK Stewardship Code*, January 2020](#)