

meeting	PENSIONS INVESTMENT SUB-COMMITTEE		
date	18 March 2010	agenda item number	8

REPORT OF THE SERVICE DIRECTOR (FINANCE)

PENSION FUND PROXY VOTING

1. Purpose

- 1.1 To report on the voting of equity holdings in quarter 4 of 2009.

2. Background

- 2.1 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 revised statement on responsible investment states that "the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds".
- 2.2 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.

3. Voting

- 3.1 The period from October to December had a relatively small number of company meetings. Votes were submitted to 51 meetings in the quarter as shown in the table below.

	UK		Europe		US		Japan		Total	
Meetings voted	24	96%	8	100%	18	82%	1	100%	51	91%
Meetings not voted	1	4%	0	0%	4	18%	0	0%	5	9%
	25		8		22		1		56	
Meetings with 1 or more oppose or abstain votes	18	72%	4	50%	22	100%	1	100%	45	80%

- 3.2 It can be seen that 80% of meetings in the quarter had at least one oppose or abstain recommendation. The full analysis of resolutions is shown in the table below.

	UK		Europe		US		Japan		Total	
For	181	74%	22	50%	143	56%	1	50%	347	64%
Oppose	27	11%	20	45%	36	14%	0	0%	83	15%
Abstain	36	15%	2	5%	13	5%	1	50%	52	10%
Withhold		0%		0%	63	25%		0%	63	11%
	244		44		255		2		545	

- 3.3 In the UK, there were particular concerns at two meetings. At BSKyB the re-election of four non-executive directors was opposed on the grounds of lack of independence – three have links to the company's controlling shareholder and two have been on the board for more than nine years. The remuneration report was also opposed due to limited disclosure on base salaries and performance targets and potentially excessive rewards under the scheme. Excessive rewards was also a concern at Punch Taverns along with auditor independence.
- 3.4 The proportion of oppose votes in Europe suggests major issues at European companies. However, 15 of the 20 oppose votes were at one company, Pernod Ricard, where concerns included non-independent directors, attendance fees and anti-takeover measures. Research published during the quarter found that executive pay in 2008 fell by 20% at major German companies and 14% at French companies (compared to 2007).
- 3.5 This trend in executive pay was not apparent in a similar review of pay in the US, where annual compensation fell by just 0.08% in 2008. This is reflected in the fact that concerns were raised with remuneration at 15 of the 18 meetings voted by the Fund during the quarter.
- 3.6 Appendix A shows a summary of voting throughout 2009 both quarter by quarter and in total.

4. Statutory and Policy Implications

- 4.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder, human rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

5. Recommendations

- 5.1 That the report be noted.

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SERVICE DIRECTOR (FINANCE)

Background Papers Available for Inspection
None

Appendix A

Summary of voting in 2009

Quarter 1	UK		Europe		US		Japan		Total	
Meetings voted	30	97%	36	90%	28	100%	3	75%	97	94%
Meetings not voted	1	3%	4	10%	0	0%	1	25%	6	6%
	31		40		28		4		103	
Meetings with 1 or more oppose or abstain votes	23	74%	27	68%	21	75%		0%	71	69%
For	192	76%	345	81%	153	68%	68	88%	758	77%
Oppose	27	11%	58	14%	14	6%	8	10%	107	11%
Abstain	34	13%	24	6%	7	3%	1	1%	66	7%
Withhold		0%		0%	50	22%		0%	50	5%
	253		427		224		77		981	

Quarter 2	UK		Europe		US		Japan		Total	
Meetings voted	123	97%	151	97%	225	99%	48	92%	547	98%
Meetings not voted	4	3%	4	3%	2	1%	4	8%	14	2%
	127		155		227		52		561	
Meetings with 1 or more oppose or abstain votes	108	85%	131	85%	216	95%	41	79%	496	88%
For	1,283	79%	1,448	69%	1,662	59%	581	85%	4,974	69%
Oppose	187	11%	568	27%	332	12%	73	11%	1,160	16%
Abstain	161	10%	73	3%	91	3%	26	4%	351	5%
Withhold		0%		0%	716	26%		0%	716	10%
	1,631		2,089		2,801		680		7,201	

Quarter 3	UK		Europe		US		Japan		Total	
Meetings voted	58	100%	11	100%	24	100%			93	100%
Meetings not voted	0	0%	0	0%	0	0%			0	0%
	58		11		24		0		93	
Meetings with 1 or more oppose or abstain votes	49	84%	8	73%	22	92%			79	85%
For	560	77%	51	59%	130	56%			741	71%
Oppose	90	12%	29	34%	41	18%			160	15%
Abstain	75	10%	6	7%	11	5%			92	9%
Withhold		0%		0%	52	22%			52	5%
	725		86		234		0		1,045	

Quarter 4	UK		Europe		US		Japan		Total	
Meetings voted	24	96%	8	100%	18	82%	1	100%	51	91%
Meetings not voted	1	4%	0	0%	4	18%	0	0%	5	9%
	25		8		22		1		56	
Meetings with 1 or more oppose or abstain votes	18	72%	4	50%	22	100%	1	100%	45	80%
For	181	74%	22	50%	143	56%	1	50%	347	64%
Oppose	27	11%	20	45%	36	14%	0	0%	83	15%
Abstain	36	15%	2	5%	13	5%	1	50%	52	10%
Withhold		0%		0%	63	25%		0%	63	11%
	244		44		255		2		545	

Appendix A

Summary of voting in 2009

Total for 2009	UK		Europe		US		Japan		Total	
Meetings voted	235	98%	206	96%	295	98%	52	91%	788	97%
Meetings not voted	6	2%	8	4%	6	2%	5	9%	25	3%
	241		214		301		57		813	
Meetings with 1 or more oppose or abstain votes	198	82%	170	79%	281	93%	42	74%	691	85%
For	2,216	77%	1,866	70%	2,088	60%	650	85%	6,820	70%
Oppose	331	12%	675	26%	423	12%	81	11%	1,510	15%
Abstain	306	11%	105	4%	122	3%	28	4%	561	6%
Withhold		0%		0%	881	25%		0%	881	9%
	2,853		2,646		3,514		759		9,772	