

# Report



meeting

**PENSIONS INVESTMENT SUB COMMITTEE**

date

**12 December 2008**

agenda item number

## REPORT OF THE SERVICE DIRECTOR (FINANCE)

### PROXY VOTING 2008

#### **Purpose**

- 1.1 To report on the voting of equity holdings in quarter 3 of 2008.

#### **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 this 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 July to September had fewer company meetings than the previous quarter. Votes were submitted to 95 meetings in the quarter as shown in the table below.

	<b>UK</b>		<b>Europe</b>		<b>US</b>		<b>Japan</b>		<b>Total</b>	
Meetings voted	60	75%	9	100%	26	100%			95	83%
Meetings not voted	20	25%	0	0%	0	0%			20	17%
	<b>80</b>		<b>9</b>		<b>26</b>		<b>0</b>		<b>115</b>	
Meetings with 1 or more oppose or abstain votes	50	63%	5	56%	23	88%			78	68%

- 3.2 It can be seen that 68% of the meetings 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	540	77%	58	67%	167	62%			765	72%
Oppose	84	12%	28	32%	21	8%			133	13%
Abstain	79	11%	1	1%	7	3%			87	8%
Withhold		0%		0%	74	27%			74	7%
	<b>703</b>		<b>87</b>		<b>269</b>		<b>0</b>		<b>1059</b>	

- 3.3 In the UK, the majority of the fund's votes against management were on the usual issues of directors' remuneration, independence of directors and inappropriate non-audit fees. The quarter also saw the AGM of Marks & Spencer, where concerns were voiced over the combined roles of chairman and chief executive. Support for Sir Stuart Rose was only 78% showing a significant level of dissent in proxy voting terms. LAPFF are making plans to file a resolution at next year's AGM if the situation continues.
- 3.4 Half of the total oppose votes registered in Europe were regarding the election of directors at one company, Richemont. PIRC consider there to be no independent directors on the board and a high proportion of executive directors. Concerns included length of tenure on the board, potential conflicts of interest and levels of remuneration.
- 3.5 There were concerns in the US over changes to incentive plans as well as similar concerns over board independence (where 27% of the votes related to director elections). There were three particularly interesting votes at EGMs called to approve mergers. The proposals sought shareholder approval to postpone the meeting if insufficient votes were cast to adopt the mergers. The fund voted against.

#### **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.

A SUMBY  
SERVICE DIRECTOR (FINANCE)

Background Papers Available for Inspection  
None