



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 second and third quarters of 2018 (calendar year) as part of this ongoing commitment.

Information

2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, highlights the responsibilities that institutional investors have with regard to the 'long-term success of companies in such a way that the ultimate providers of capital [in this case, the Nottinghamshire Pension Fund] also prosper'. These responsibilities include, among other things, having a clear policy on voting and on the disclosure of voting activity. The *Code* states that investors "should not automatically support the board".
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 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'.
4. The Fund retains responsibility for voting directly held shares (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). PIRC issue Shareholder Voting Guidelines each year and these are the basis of the voting implemented on behalf of the Fund.
5. As part of its pooling commitment, in July 2018 the Fund rolled its in-house portfolio into a passive equities fund managed by Legal & General (LGIM). Consequently the Fund's passive equities allocation will be voted according to the LGIM policy. However LGIM operates a responsible investment policy very similar to PIRC. A £20m investment in LGPS Central pool's passive equities funds was made at the same time, and so this stock will be covered by the pool's voting policy.
6. An overview of the voting activity and analysis of the key issues during the quarters will be 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>.

Statutory and Policy Implications

7. 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

- 1) That 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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Constitutional Comments (KK 18/10/2018)

8. This is an updating information report and Pension Committee is the correct body for considering that information and any further action which members may wish to take in light of that information.

Financial Comments (TMR 2/10/2018)

9. There are no direct financial implications arising 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.

- PIRC – Nottinghamshire CC Pension Fund, Proxy Voting Review, 1 July 2018 to 30 September 2018
- PIRC – Nottinghamshire CC Pension Fund, Proxy Voting Review, 1 April 2018 to 30 June 2018
- Financial Reporting Council, *The UK Stewardship Code*, September 2012