

Croydon Council

REPORT TO:	PENSION COMMITTEE 3 September 2013
AGENDA ITEM:	7
SUBJECT:	PIRC: Voting Actions (FTSE350) for – April to end June 2013 and Commentary on Significant Governance Issues
LEAD OFFICER:	Director of Finance and Assets (Section 151 Officer)
CABINET MEMBER	Deputy Leader (Statutory) and Cabinet Member for Housing, Finance and Asset Management
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT:	
Sound Financial Management: To fulfil the Council’s obligations in relation to Pension Fund shareholder activism as identified in the Myners’ Report.	
FINANCIAL SUMMARY:	
There are no direct financial consequences for this report.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

For general release

1	RECOMMENDATIONS
1.1	The Committee is requested to note the report.

2. EXECUTIVE SUMMARY

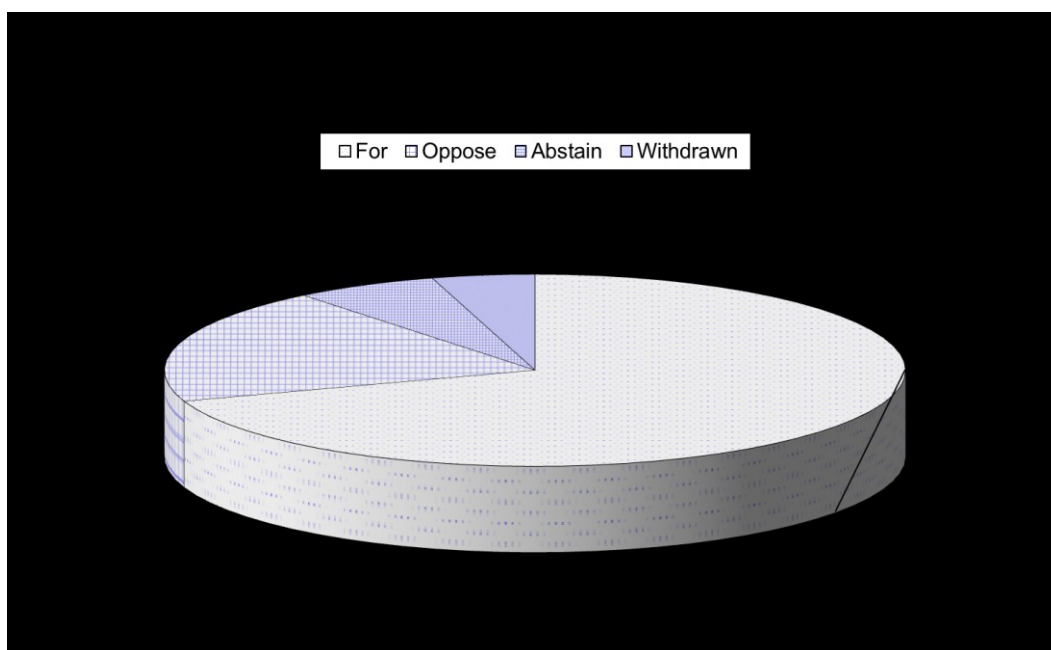
- 2.1 This report provides the Committee with details of how the Pension Fund fulfils its commitment to being a socially responsible investor through voting and through the work of the Local Authority Pension Fund Forum (LAPFF). It highlights significant areas of engagement during the quarter.

3. DETAIL

Voting

3.1 The Croydon Fund requires portfolio managers to adopt the principles of socially responsible investing by voting in accordance with agreed guidance for those companies that they own. The Fund’s three segregated equity funds, managed by: Global Thematic Partners; Fidelity; and Franklin Templeton fulfil this mandate by delegating the process to PIRC, the consultancy that advises the authority on activism issues. Directing voting at company Annual and other General Meetings fulfils the Council’s responsibilities on Activism which is one of the key principles identified in the Myners’ Report as best practice for investment decisions. The Council has a duty under the Regulations to publish its compliance with the Myners’ Principles or to explain why they have chosen not to.

3.2 The votes cast in the UK and Global markets are as set out in Figure 1:



Total resolutions voted	Votes Cast	Issues where voted	Against	Abstained
For	3756	Board Structure	566	97
Against	1049	Remuneration	60	21
Abstain	338	Auditors	23	72
Withdrawn	241	Miscellaneous	400	148
TOTAL	5384		1049	338

During the same quarter Sarasin, who also manage a portfolio of equities for the Fund, voted as equity owners in 53 company meetings. This manager follows separate guidelines that align with those published by PIRC. Their votes were cast on the Fund's behalf as follows:

Total resolutions voted	Votes Cast
Sarasin EquiSar Global Thematic Fund	
For	519
Against	177
Abstain	35
Withhold/not voted	39
TOTAL	770

- 3.3 The casting of votes is seen as a positive way in which shareholders can assist in the improvement of corporate governance and therefore performance of the companies in which they invest - thus complying with the Council's Statement of Investment Principles.
- 3.4 LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the Forum brings together a diverse range of local authority pension funds in the UK with combined assets of over £115 billion.
- 3.5 Highlights of LAPFF engagement during the second quarter of 2013 include:
- Issued 14 voting alerts during the proxy voting season on a number of issues including on executive pay, joint Chair/CEO and carbon management. The companies that these issues relate to include: Carnival, AstraZeneca, Barclays, National Express, BAE Systems, Aviva, Royal Bank of Scotland, Prudential, Comcast, JP Morgan, ExxonMobil, WPP, Marks & Spencer, and Freeport McMoRan.
 - Attended the AGMs of Barclays and National Express.
 - Met with the Chair of Associated British Foods regarding supplier employment standards following the Bangladesh factory tragedy. LAPFF also signed an investor statement calling for improvements to factory standards for workers' safety.
 - Sent LAPFF's new '*Expectations on Executive Pay*' to the FTSE 350 seeking feedback from a list of 16 companies in advance of their AGMs.
 - Held meetings with Société Générale, WM Morrison Supermarkets, and Legal & General on executive pay.
 - Met with Imperial Tobacco to discuss the health risks of tobacco products and the company's harm-reduction strategy.
 - Discussed carbon management strategy with representatives of Rio Tinto. Received feedback from Centrica regarding opportunities and risks in the UK shale gas market.
 - Met with the Chairman of Standard Chartered regarding Board structure and renewal.

4. CONSULTATION

- 4.1 The admitted and scheduled bodies will be informed that details of the voting actions can be found on the Council's Pension web site www.croydon.gov.uk/finance/pensions

5. FINANCIAL CONSIDERATIONS

- 5.1 There are no other considerations arising from this report.

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Council Solicitor comments that there are no specific legal considerations arising from this report.

(Approved by: Gabriel Macgregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer)

7. OTHER CONSIDERATIONS

- 7.1 There are no Human Resources, Customer Focus, Equalities, Environment and Design, Crime and Disorder, Human Rights, Freedom of Information or Data Protection considerations arising from this report.
- 7.2 The Pensions Committee meetings are formal meetings of the Council and as such, are subject to existing legislation regarding access for information and publication of reports. The reports of the Committee are accessible under the Freedom of Information Act 2000 as part of the Council's Publication Scheme.

CONTACT OFFICER:

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BACKGROUND DOCUMENTS: