

Croydon Council

REPORT TO:	PENSION COMMITTEE 4 March 2014
AGENDA ITEM:	6
SUBJECT:	PIRC: Voting Actions for October to end December 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

<p>1 RECOMMENDATIONS</p> <p>1.1 The Committee is requested to note the report.</p>

2. EXECUTIVE SUMMARY

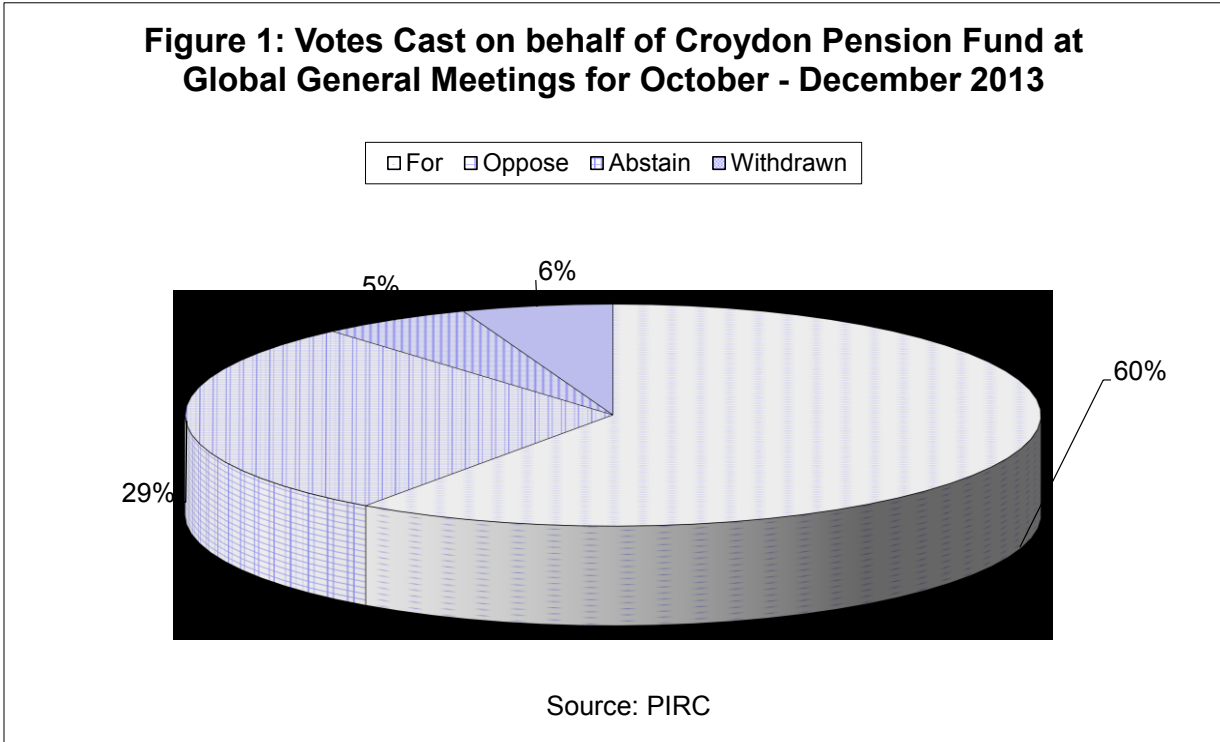
- 2.1 This report provides the Committee with details of how the Pension Fund fulfils its commitment to being a socially responsible investor through voting and through the work of the Local Authority Pension Fund Forum (LAPFF). It highlights significant areas of engagement during the quarter.

DETAIL

Voting

- 2.2 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 have invested in. 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 shareholder 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.

- 2.3 The Pension Fund received voting recommendations for 329 resolutions at 38 meetings. The votes cast in the UK and Global markets are as set out in Figure 1.



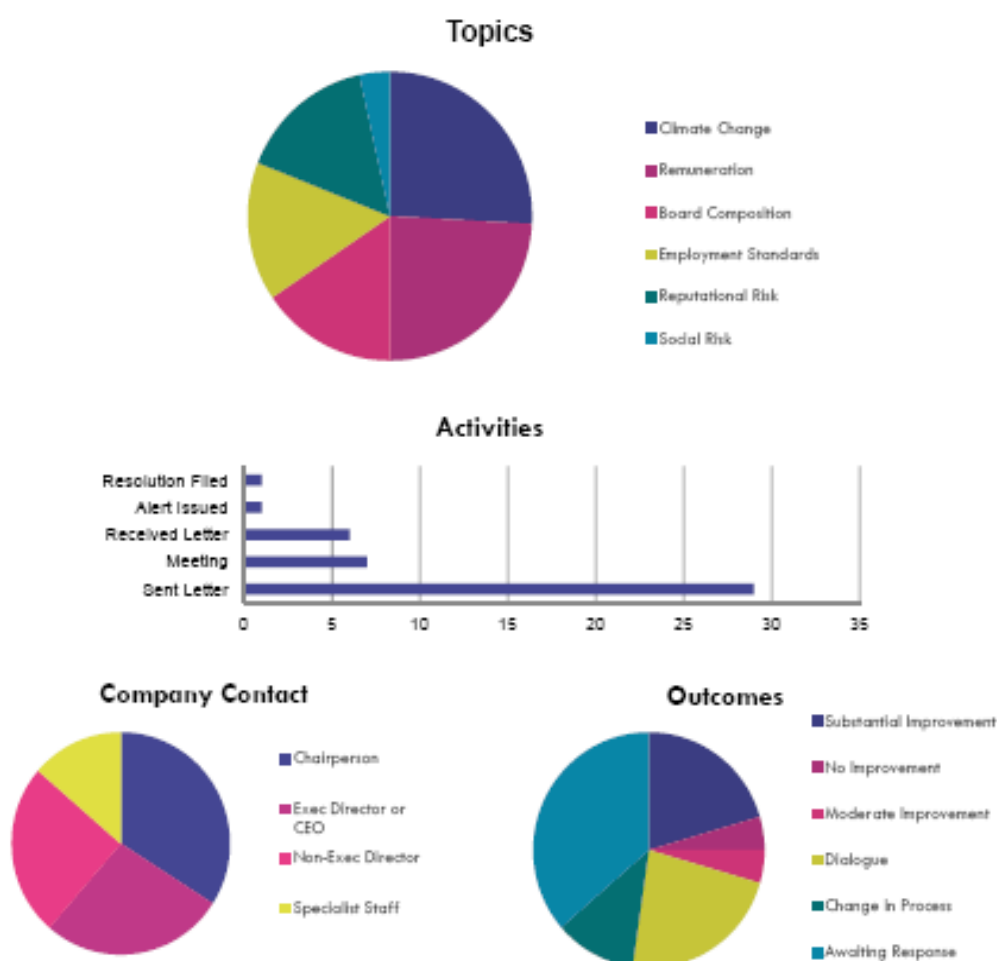
Total resolutions voted	Votes Cast	Issues where voted	Against	Abstained
For	168	Board Structure	45	3
Against	106	Remuneration	14	1
Abstain	16	Auditors	2	5
Withdrawn	16	Miscellaneous	45	7
TOTAL	306		106	16

During this quarter Sarasin, who also manage a portfolio of equities for the Fund, voted as equity owners in 6 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	42
Against	9
Abstain	5
Withhold/not voted	3
TOTAL	59

- 2.4 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.
- 2.5 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.

2.6 Below is a snapshot of topics voted on during the quarter together with a headline analysis of the activities of the Forum in aggregate:



2.7 Highlights of LAPFF engagement during the fourth quarter of 2013 include:

- Met with **Standard Chartered, M&S** and **Burberry** to discuss remuneration issues and get company feedback on LAPFF's 'Expectations for Executive Pay' document;
- Corresponded with **Afren, easyJet** and **G4S** regarding pay practices and pay complexity and to seek further meetings;
- Explored the impact of governance changes at **Twenty-First Century Fox** since the split from News Corporation and discussed the approach to the on-going phone hacking scandal;
- Focussed on 'stranded assets', carbon management strategies and CDP performance scores with **BP**. A meeting with **GlencoreXstrata** also initiated a discussion on these issues;
- Sent a letter to **Oracle** outlining LAPFF's concerns about executive pay. The Company's proposals for executive pay was defeated for the second consecutive year, but the Board continued with this course of action as the vote is not binding;

- Co-signed letters to major US, European and Japanese consumer companies in the **palm oil** supply chain on the sustainability of their supplies;
- Responded to a **FRC** consultation on the strategic report raising concerns about its status and compatibility with UK Company Law, and to a FRC consultation on directors' remuneration. Provided input to the **SEC** on pay ratio disclosure.

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

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

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Solicitor for the Council comments that there are no direct legal considerations beyond those detailed in the body of the report.

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

The Council Solicitor

(Approved by:)

7. HUMAN RESOURCES CONSIDERATIONS

- 7.1 There are no human resources impacts arising from this report.

(Approved by: Gloria Lau, Interim HR Business Partner on behalf of Heather Daley, Acting Director of Workforce)

8. OTHER CONSIDERATIONS

- 8.1 There are no Customer Focus, Equalities, Environment and Design, Crime and Disorder, Human Rights, Freedom of Information or Data Protection considerations arising from this report.

- 8.2 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:

Nigel Cook - Head of Pensions and Treasury
Interim Chief Executive Department, ext. 62552

BACKGROUND DOCUMENTS:

None