

## **Pension Fund Committee**

Meeting to be held on 27 July 2012

Electoral Division affected: 'All'
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### **Fund Shareholder Voting Report**

(Appendix 'A' refers)

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#### **Executive Summary**

The Fund has engaged PIRC, a leading independent research and advisory consultancy providing services to institutional investors on corporate governance and corporate social responsibility, to act as the Fund's proxy and cast the Fund's votes at shareholder meetings.

The attached report (Appendix 'A') covers the period 1 April to 30 June 2012. The Fund has voted on 1,908 occasions and has opposed or abstained in 27% of votes. PIRC recommends not supporting resolutions where it does not believe best governance practice is being applied and in the case of remuneration policy votes, where it does not consider the executives' remuneration plans are properly aligned with the success of the business or the performance and responsibilities of the executive.

#### **Recommendation**

The Committee is asked to note the report.

#### **Background and Advice**

PIRC, a leading independent research and advisory consultancy providing services to institutional investors on corporate governance and corporate social responsibility, acts as the Fund's proxy and casts the Fund's votes on its investments at shareholder meetings. PIRC are instructed to vote in accordance with their guidelines unless the Fund instructs an exception. PIRC analyses investee companies and produces publically available voting recommendations to encourage companies to adhere to high standards of governance and social responsibility. The analysis includes a review of the adequacy of environmental and employment policies and the disclosure of quantifiable environmental reporting. PIRC is also an active supporter of the Stewardship Code, a code of practice published by the Financial Reporting Council with the aim of enhancing the quality of engagement between institutional investors and companies.

There may be occasions when the Fund wishes to cast a vote at a shareholder meeting in a way which does not accord with PIRC's recommendations. For example, an investment manager might request the Fund to vote in a particular way to support or oppose a corporate action. Such requests would be considered by the Fund on a case by case basis and PIRC instructed to cast the Fund's vote accordingly.

PIRC also lobbies actively on behalf of its investing clients as well as providing them with detailed support. It works closely with NAPF (the National Association of Pension Funds) and LAPFF (the forum of Local Authority Pension Funds).

For example, PIRC is organising a campaign of letters from investors to News Corporation seeking to ensure that News Corporation or the two entities it splits into have truly independent directors on the boards.

PIRC's quarterly report to 30 June 2012 is presented as at Appendix 'A'.

PIRC also produces a detailed document which is reviewed by the Fund's officers, which sets out the circumstances and reasoning for every resolution opposed, abstained or withheld. This document is available on request.

The Fund's voting record using PIRC as its proxy for the three months ended 30 June 2012 is summarised below:

Region	Voting action:				Total
	For	Oppose	Abstain	Withheld	
UK	915	115	105	-	1,135
Europe	134	49	11	-	194
USA	138	90	22	20	270
Japan	66	9	3	-	78
Rest of World	136	54	14	27	57
Total	1,389	317	155	47	1,908

The period April to June is very busy with many companies holding their Annual General Meetings in this period. With 1,908 votes cast by PIRC, the Fund has voted for 73% of shareholder resolutions and has opposed or abstained in 27% of resolutions. Voting abstention is regularly used by institutional investors as a way of signalling a negative view on a proposal without active opposition.

In certain foreign jurisdictions, shareholders either vote for a resolution or not at all, opposition to these votes is described as vote withheld.

PIRC opposed 69 out of 114 UK resolutions accepting the Annual Report and 5 out of 10 resolutions approving executive pay schemes. Reasons for rejecting the annual report included opposition to executive remuneration packages not sufficiently or appropriately linked to performance, governance structures lacking

independence, opposition to substantial political donations with no obvious benefit to shareholders and the failure to disclose quantitative environmental data.

In addition to its voting activities, the Fund is also active in shareholder class actions against companies especially in the USA. In the USA, when class actions are pursued against companies, then all shareholders stand to benefit from any awards provided that they have registered their participation. The Fund ensures that it participates in all such actions and claims any proceeds due. It has recently received £22,000 as its share of damages awarded to the former shareholders of Enron.

### **Consultations**

N/A

### **Implications:**

It is a key component of good governance that the Fund is an engaged and responsible investor complying with the Stewardship Code.

Well run responsible companies are more likely to be successful and less likely to suffer from unexpected scandals, such as suffered by News Corporation recently.

### **Risk management**

The promotion of good responsible corporate governance in the companies the Fund is invested in reduces the risk of unexpected losses arising as a result of poor oversight and lack of independence.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

N/a