

PENSION FUND COMMITTEE – 11 MARCH 2016

CORPORATE GOVERNANCE - VOTING

Report by Chief Financial Officer

Introduction

1. The UK Stewardship Code was introduced by the Financial Reporting Council in 2010, and revised in September 2012. The Code, directed at institutional investors in UK companies, aims to protect and enhance the value that accrues to ultimate beneficiaries through the adoption of its seven principles. The code applies to fund managers and also encourages asset owners such as pension funds, to disclose their level of compliance with the code.
2. Principle 6 of the Code states that Institutional investors should have a clear policy on voting and disclosure of voting activity. They should seek to vote all shares held and should not automatically support the board. If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution, informing the company in advance of their intention to do so and why.
3. The Oxfordshire County Council Pension Fund's voting policy is set out in its Statement of Investment Principles (SIP), which states that voting decisions are fully delegated to the Fund Managers to exercise voting rights in respect of the Pension Fund's holdings. Officers monitor this activity and raise any concerns with the Fund Managers.

Voting Details

4. Manifest was appointed in August 2014 to monitor the voting activity of the Fund. As part of this service they provide a comprehensive annual report summarising the Fund's voting activity, a copy of which is included at Annex 1. The report covers the 12 month period ending 31 July 2015. The report covers the key governance issues as identified by Manifest, and compares the voting patterns of Oxfordshire's Fund Managers with all shareholders, and with a best practice template determined by Manifest.
5. Manifest make it clear in their report that voting is only one element of a fund manager's engagement with companies, and therefore differences in voting patterns should be seen as a starting point for discussions with the Fund Manager rather than a performance issue in their own right.
6. Voting decisions on internally managed holdings are determined by the Service Manager – Pensions, Insurance & Money Management after taking advice from the Fund's Independent Financial Adviser. These votes are

outside the scope of the Manifest report. Over the 12 month period ending 31 July 2015 a total of 148 resolutions were voted on at 15 separate meetings consisting of 12 Annual General Meetings, two Ordinary General Meetings, and one Extraordinary General Meeting. All of the 148 votes cast were in line with the recommendation from management.

7. There was one meeting for an internally managed holding which included controversial items on the agenda. This was the October 2014 meeting for Electra Private Equity Plc. The proposals at the meeting were put forward by an activist shareholder and sought to appoint two individuals to the board. Management recommended voting against the proposals and this was the position taken by the Pension Fund in voting its shares. The proposals were rejected by shareholders but at a meeting in November 2015 the same individuals were successful in being appointed to the board.
8. The Fund Managers include a summary of company engagement and voting activity in their quarterly reports.

RECOMMENDATION

9. **The Committee is RECOMMENDED to note the Fund's voting activities, and determine any issues they wish to follow up with specific fund managers, or in general.**

Lorna Baxter
Chief Finance Officer

Contact Officer: Gregory Ley, Financial Manager – Pension Fund Investment,
Tel: (01865) 323978

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