



Pensions Committee

24 September 2014

Report Title	Active Ownership Activities April to June 2014	
Originating service	Pension Services	
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Recommendations for noting:

1. The Fund's voting and LAPFF's engagement activity for the three months ending 30 June 2014 (including Appendix 1).
2. The issues discussed by the Local Authority Pension Fund Forum (LAPFF) in the Quarterly Engagement Report which is available on their website:
<http://www.lapfforum.org/Publications/engagement>

1.0 Purpose

- 1.1 To inform the Pensions Committee of the work undertaken by the Investment team regarding their voting and engagement activities, collectively referred to as “active ownership” activities, between the period 1 April 2014 to 30 June 2014.

2.0 Background

- 2.1 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests, and challenging companies who do not meet the standards set by their peers or reasonable expectations as measured by best practice. The Fund’s approach is part of its overall investment management arrangements and its active responsible investment policy. There are two main areas of responsible investment that we focus on: **voting globally** and **engagement through partnerships**.

3.0 Voting Globally

- 3.1 The Fund currently has its own bespoke UK voting policy which our voting provider, Pensions and Investments Research Consultants Ltd (PIRC), executes on our behalf. However, the Fund follows the voting advice of PIRC for European, US, Japanese and Pacific region company meetings.
- 3.2 The voting activity for the quarter across markets and issues can be found in Appendix 1. During the period the Fund voted at a total of 1,737 company meetings –215 UK, 341 European, 594 North American, 411 Japanese, 140 Asian, 14 South and Central American and the remaining 22 from various parts of the world. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld* 7,130 resolutions out of a total of 23,367, representing approximately 31% of all resolutions. During this period there were 138 meetings where the Fund supported all the resolutions put forward by companies.

**(It should be noted that due to a combination of US state law and individual company bye-laws, votes pertaining to individual directors cannot be cast as “oppose” but have to be cast as “withheld”).*

4.0 Engagement through Partnerships

- 4.1 Our engagement program is predominantly implemented through the Fund’s membership of the Local Authority Pension Fund Forum (LAPFF). The mission statement of the Forum is “to promote the investment interests of local authority pension funds and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest, commensurate with statutory regulations”. LAPFF has a current membership of 60 public sector pension funds in the UK with combined assets of over £125 billion. LAPFF members regularly meet together to discuss social, environmental and governance (ESG) issues and ways to promote high standards of corporate behaviour at investee companies.

- 4.2 A summary of LAPFF's engagement activities for the quarter are provided alongside the voting activity report in Appendix 1.
- 4.3 Wolverhampton City Council requested the Fund look into the issue of blacklisting within the construction industry and identify any Fund investments that had been involved in the practice and if necessary to raise this issue with company management. As previously reported, LAPFF has included this matter into their current engagement programme.
- 4.4 So far, two companies are subject to compensation claims over this issue and representatives from LAPFF have approached one of these, Kier Group and have reported a positive dialogue with management who have agreed to set up a meeting and is in the process of being scheduled. The other company subject to a compensation claim is Wolverhampton based Carillion and a meeting has been scheduled for 29 October 2014. There had been some delays in setting up the meeting due to the Balfour Beatty proposed merger discussions. Details of the progress of the engagement will be reported as and when appropriate.

5.0 Financial implications

- 5.1 The promotion of good corporate governance amongst companies in which the Fund invests is complementary to the Fund's objective of maximising financial returns, as it is widely believed that good corporate governance improves shareholder value in the long term.

6.0 Legal implications

- 6.1 This report has no legal implications.

7.0 Equalities implications

- 7.1 This report has no implications for the Council's equal opportunities.

8.0 Environmental implications

- 8.1 Environmental implications are addressed through the Fund's corporate governance policy.

9.0 Human resources implications

- 9.1 This report contains no direct implications for the Authority's Human Resources Policies.

10.0 Corporate landlord implications

- 10.1 The report contains no direct corporate landlord implications.

11.0 Schedule of background papers

11.1 Background papers include Appendix 1 (Voting and Engagement Activity), and supplemental information which is available at the following weblink:

- LAPFF Quarterly Engagement Report April to June 2014:
<http://www.lapfforum.org/Publications/engagement>

12.0 Appendices

12.1 Appendix 1: Voting report 01.04.14 to 30.06.14