

Voting and Engagement

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<i>Executive Portfolio Holder:</i>	Not applicable
<i>Division and Local Member:</i>	Not applicable

1. Summary

- 1.1 This report is to inform the committee about the voting and engagement activity of the fund's investment managers for the six-month period to 30th September 2018.

2. Issues for consideration

- 2.1 The report is for information only unless the committee deems that action is necessary having reviewed the report.

3. Background

- 3.1 The voting activity described in this report relates to all company meetings, the majority of which are Annual General Meetings (AGM's) but will also include Extraordinary General Meetings (EGM's), Ordinary General Meetings, Special Meetings and miscellaneous others.
- 3.2 The business that is required to be covered at AGM's varies according to local law and custom. In most countries both executive and non-executive directors have to be periodically re-elected to the board and there is a vote on the reappointment of auditors. In a growing number of jurisdictions, including UK and US, there is also a non-binding vote on the board of directors' remuneration report. Depending on local law there are often a number of technical resolutions regarding the creation of new shares, pre-emptive rights and share option schemes.
- 3.3 At AGM's typically all resolutions are proposed by the board of directors and they recommend that shareholders approve the proposed resolutions, however increasingly shareholders are proposing their own resolutions on a wide variety of areas including changes to the companies rules, initiating a vote on director remuneration, animal welfare, environmental issues and employment rules.
- 3.4 Although not exclusively, EGM's tend to fall into two categories, the first is to allow a shareholder vote on a proposed merger, takeover or other fundamental change to the company. The second category is where

shareholders are very unhappy with the board's behaviour and wish to hold them to account on a particular issue or set of issues.

- 3.5 PIRC (for the in-house funds) and each of the external fund managers have written guidelines on how they will utilise their votes in an effort to maximise shareholder value and promote good governance and ethical behaviour within companies. Typically these policies will, to varying degrees, adhere to the principles and best practice guidelines of the various legislation, city codes of conduct and policies of trade bodies such as the Association of British Insurers.
- 3.6 PIRC publishes the advice it gives clients (including SCC) on how to vote at company meetings on its website. Some of our external fund managers also place their voting record on their public websites.

4. Somerset County Council (Global Equity + US Equity)

- 4.1 The in-house fund continues to vote in line with recommendations received from PIRC. The following table indicates voting activity for the six months:

• Shareholder meetings at which the Fund's Shares were voted	438
• Votes in line with Company Management on all resolutions	26

- 4.2 The above results are for both the in-house global equity fund and the in-house US equity fund. Only a few holdings in the US equity fund don't appear in both funds.

- 4.3 PIRC within their recommendations tend to take a very strict line on many of the standard items that occur at AGM's. This includes issues around the tenure and genuine independence of non-executive directors, director remuneration proposals and non-audit fees for auditors. The vast majority of against votes and abstentions for the in-house fund occur in these areas. PIRC also will assess any shareholder proposals on their merits and advise accordingly, which often gives rise to votes against management.

- 4.4 Committee specifically requested data on voting activity on executive remuneration. The in-house funds were offered a vote on executive remuneration at 315 company AGMs in the period. Voting was as follows

• For the proposed remuneration	10 (3%)
• Against the proposed remuneration	239 (76%)
• Abstained from voting	66 (21%)

5. Aberdeen Standard Investment (UK Equity)

5.1 A summary of voting activity for the six months is shown below:

• Shareholder meetings at which the Fund's Shares were voted	78
• Votes in Favour of all resolutions	61
• Vote against one or more resolutions	14
• Abstained on one or more resolutions	3

5.2 The data for votes on executive remuneration are as follows:

• Meetings with a vote on remuneration	68
• For the proposed remuneration	58 (85%)
• Against the proposed remuneration	10 (15%)
• Abstained from voting	0 (0%)

5.3 Aberdeen Standard continues to engage with a large number (approx. 100 per quarter) of UK companies on corporate governance or CSR issues.

6. Jupiter (Europe ex-UK Equity)

6.1 A summary of voting activity for the six months is shown below:

• Shareholder meetings at which the Fund's Shares were voted	21
• Votes In line with company management on all resolutions	17

6.2 The data for votes on executive remuneration are as follows:

• Meetings with a vote on remuneration	11
• For the proposed remuneration	8 (73%)
• Against the proposed remuneration	1 (9%)
• Abstained from voting	2 (18%)

7. Maple-Brown Abbott

7.1 A summary of voting activity for the six months is shown below:

• Shareholder meetings at which the Fund's Shares were voted	38
• Total Resolutions	420
• Voted for	393
• Voted against	27
• Abstained	0

7.2 The data for votes on executive remuneration are as follows:

• Meetings with a vote on remuneration	32
• For the proposed remuneration	31 (97%)
• Against the proposed remuneration	1 (3%)
• Abstained from voting	0 (0%)

8. LAPFF

8.1 LAPFF continue to have a wide ranging program of research and company engagement on a number of issues such as remuneration, audit standards, climate change and company governance. They also will engage with specific companies one on one if an issue of widespread interest arises outside of their current workstreams. Further details on their work can be found on their website <http://www.lapfforum.org/>

9. Consultations undertaken

None

10. Financial Implications

10.1 Over time the performance of the pension fund investments will impact the amount that the County Council and other sponsoring employers have to pay into the fund to meet their liabilities. The fund actuary calculates these amounts every three years and sets payments for the intervening periods. The next assessment is currently underway.

11. Background Papers

None

Note For sight of individual background papers please contact the report author.