

## Agenda No 5

### AGENDA MANAGEMENT SHEET

<b>Name of Committee</b>	<b>Pension Fund Investment Board</b>
<b>Date of Committee</b>	<b>23 May 2005</b>
<b>Report Title</b>	<b>Corporate Governance and Shareholder Activism Policy</b>
<b>Summary</b>	Report setting out the requirement for a corporate governance and shareholder activism policy for the Warwickshire County Council Pension Fund
<b>For further information please contact:</b>	Phil Triggs Group Accountant Tel: 01926 412227 philtriggs@warwickshire.gov.uk
<b>Would the recommended decision be contrary to the Budget and Policy Framework?</b>	No.
<b>Background papers</b>	Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom in April 2002.

#### CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

Other Committees	<input type="checkbox"/>	.....
Local Member(s)	<input type="checkbox"/>	.....
Other Elected Members	<input type="checkbox"/>	.....
Cabinet Member	<input type="checkbox"/>	.....
Chief Executive	<input type="checkbox"/>	.....
Legal	<input checked="" type="checkbox"/>	Liam Nevin, Solicitor
Finance	<input checked="" type="checkbox"/>	David Clarke, County Treasurer - reporting officer
Other Chief Officers	<input type="checkbox"/>	.....
District Councils	<input type="checkbox"/>	.....

- |                          |                          |       |
|--------------------------|--------------------------|-------|
| Health Authority         | <input type="checkbox"/> | ..... |
| Police                   | <input type="checkbox"/> | ..... |
| Other Bodies/Individuals | <input type="checkbox"/> | ..... |

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

- |  |                          |       |
|--|--------------------------|-------|
| Further consideration by<br>this Committee | <input type="checkbox"/> | ..... |
| To Council                                 | <input type="checkbox"/> | ..... |
| To Cabinet                                 | <input type="checkbox"/> | ..... |
| To an O & S Committee                      | <input type="checkbox"/> | ..... |
| To an Area Committee                       | <input type="checkbox"/> | ..... |
| Further Consultation                       | <input type="checkbox"/> | ..... |

**Pension Fund Investment Board - 23 May 2005**

**Corporate Governance and Shareholder Activism  
Policy**

**Report of the County Treasurer**

**Recommendation**

The Board is asked to approve the report and delegate to officers the appointment of a consultant to draft a policy in respect of corporate governance and shareholder activism. The results will be presented to a future meeting of the Board for approval.

**1 Introduction**

- 1.1 The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999 include the requirement that administering authorities must maintain and publish a Statement of Investment Principles (SIP). This requirement brings local authority funds into line with the practice adopted by private pension schemes under the Pension Act 1995.
- 1.2 The Government also requires that we state in our SIP how far we keep to CIPFA's 10 principles resulting from the Myner's Review. The Myners report was based on the findings of a specially commissioned government review committee, headed by Paul Myners who investigated these issues.
- 1.3 The Board updated its SIP on 22 November 2004 as a result of the Fund's restructure.
- 1.4 In order to further conform to the CIPFA/Myners principles, further development is required of the Council's approach to corporate governance and shareholder activism.

**2 Further Development of Corporate Governance and Shareholder Activism**

- 2.1 The Fund's SIP sets out the principles governing decisions about investment and also deals with the way in which voting rights are

carried out and how far (if at all) social, environmental or ethical considerations are taken into account when choosing, keeping and selling investments.

- 2.2 The CIPFA Pensions Panel published a document, "Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom" in April 2002.
- 2.3 Principle 6 relates to shareholder activism with the advice that local authorities may engage the services of external voting agencies and advisers to assist compliance in activism. At the same time, it explicitly states that a local authority's policies should not be overridden, negated or diluted by the general policy of an investment manager or house policy.
- 2.4 The advice goes on to say that where the exercise of voting action is separated from the investment manager, the authorities should ensure that the appropriate investment decision is taken into account by reference to those appointed to manage the investments. The advice recommends that the engagement of external voting agencies should be considered.
- 2.5 The advice states that local authorities need to establish means to measure effectiveness of shareholder activism. Such measurement is difficult but can only be achieved by open monitoring of actions taken. Professional advice would need to be taken on the means of such measurement.

### **3 Professional Advice**

- 3.1 In order to establish a policy in respect of corporate governance and shareholder activism, it is recommended that the Board appoint a consultant to provide a report on the Council's current position and to advise on the way forward. Such a report would include:
  - Roles and responsibilities of Pension Fund Investment Board Members
  - Communication Strategy
  - Risk Management
  - Share Voting
  - Training Strategy
  - Drafting of relevant policy documents for the Fund

- 3.2 It is estimated that the above can be achieved for less than £10,000, thus categorising it as a minor contract. This would involve the request for quotes and subsequent selection on the basis of best value for money.

DAVID CLARKE  
County Treasurer

Shire Hall  
Warwick  
May 2005