

Pension Fund Investment Sub-Committee

11th June 2018

Share Voting

Recommendation

(1) That the Sub-Committee approve the Voting Policy at Appendix A

1 Introduction

- 1.1 Since 2008 the fund has voted its own shares through a proxy voting platform provided by Manifest. This was a decision taken by the sub-committee to vote directly in accordance with its share voting policy as opposed to leaving voting responsibility to the underlying fund manager. The policy was last updated in 2014 but has now been further amended to reflect recent changes in corporate governance best practice.
- 1.2 At the meeting of 18 December 2017 the voting policy for the Border to Coast Pensions Partnership (BCPP) was approved by the sub-committee having been prior approved by the BCPP Joint Committee. At the point that assets are transferred to a pooled sub-fund BCPP will be undertaking all share voting, however there is still a requirement for all BCPP partner funds to produce a policy as the ultimate asset owner.
- 1.3 In addition to changes relating to the Border to Coast Pension Partnership, some other updates have also been proposed.

2 Changes to the Fund Voting Policy

- 2.1 The policy has been redrafted to reflect recent developments.
- 2.2 The policy changes do not have any impact in terms of changing the approach to equality and diversity. The policy continues to set out expectations with regard to diversity at board level.
- 2.3 The revised policy is shown in **Appendix A**. The sub-committee is asked to note the following particular amendments to the policy:

Point in Policy	Addition/Amendment
2.2	An additional paragraph on shareholder engagement has been added
3.2	Additional comment regarding the composition of the board of large companies.
3.4	Additional comment regarding the chair being independent upon appointment
3.5	Added new guidance regarding Lead Independent Directors
3.6	Additional comment re support for annual re-election of directors.
4	Shareholder's capital offered for cash limit has been amended from 5% to 10%
5.3	A new addition regarding Non-audit Services
5.6	Recommendation for retendering of audit every 10 years, changed from 5-7 years.
6.2	Additional comment regarding the expected time span of long term incentive plans.
9	New section regarding investment trusts

3 The Fund Voting Policy and the Border to Coast Voting Guidelines

- 3.1 It is a requirement for the fund and asset pool to produce individual voting policies and these policies will continue to be the responsibility of the respective entities.
- 3.2 There are no material contradictions between the funds policy and the Border to Coast document approved by the sub-committee in December 2017, however the sub-committee may wish to note the following:
- Border to Coast's Voting Guidelines have been written for a large asset pool where the Chief Investment Officer has a higher degree of autonomy than officers at individual pension funds
 - Border to Coast will be expected to engage with companies as a larger shareholder and a professional asset manager
 - Border to Coast will have the overall say on how votes are cast as the guidelines are based on a harmonisation of the twelve member funds policies
- 3.3 The Border to Coast Voting Guidelines can be found at **Appendix B**

Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s):

Other members: