

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Responsible Investment Sub-Committee
Date:	3 September 2019
Title:	Shareholder voting
Report From:	<i>Director of Corporate Resources – Corporate Services</i>

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Purpose of this Report

1. This report provides information on how the Pension Fund's investment managers have voted on behalf of the Fund for the equities that they are invested in.

Recommendations

2. That the RI sub-committee notes the arrangements for publishing the Pension Fund's shareholder voting record and instances summarised in this report where its investment managers have voted against company management.

Executive Summary

3. As investors in common stock (equities) the Pension Fund will have certain rights to vote on how the company it invests in is run. These include being able to vote in elections to the board of directors and on proposed operational alterations, such as shifts of corporate aims, and the right to vote on other matters such as remuneration policies and the appointment of auditors. In addition to these items, for which recommendations will be made by company management for shareholders to either agree or oppose, individual shareholders can propose their own subjects for the shareholders to vote on, but they are non-binding on the company's management in most instances.
4. Shareholder votes are an important tool for company engagement alongside more direct communication (such as meetings) with company management. Voting provides an ultimate sanction for shareholders to show their

disapproval with how a company is operating. How votes are cast will be determined by the voting policy, which for Hampshire varies depending on how the equity investment is held:

- Directly held equities (Acadian and Baillie Gifford's Global Alpha portfolios) will be voted in accordance with Hampshire's voting policy, which is part of its Responsible Investment policy.
- Equities directly held in the ACCESS pool (Schroders Prime and Baillie Gifford's Long-term Global Growth portfolios) will be voted in accordance with ACCESS' voting guidelines, which were agreed by the Joint Committee.
- Equities in pooled funds of external investment managers (such as UBS or Dodge & Cox) will be voted in accordance with the investment manager's voting policy, which applies to all holdings within the fund.

Publication of shareholding voting

5. It is generally regarded as good practice for asset owners to publish their voting records. Although the majority of votes relate to non-contentious, relatively administrative matters, publishing the records of all votes cast demonstrates transparency. This approach meets the requirements of the UN Principles of Responsible Investment and UK Stewardship Code, which are both covered elsewhere on this meeting's agenda.
6. Following the Panel and Board agreeing a revised version of the Fund's Responsible Investment policy, the Pension Fund's website will be updated to include a section on RI. The RI pages will provide a brief statement on the Fund's approach to RI, a link to the new policy and links to the full voting records of the Fund's equity investments.

Voting exception reports

7. In order for the RI sub-committee to scrutinise the voting activity for the Pension Fund's investments, a summary of the occasions from April to June 2019 where investment managers have cast votes against resolutions by company management or other shareholders. The Pension Fund's investment managers' shareholding voting records are contained in annexes to this report, except for UBS as due to the number of companies in the passive funds the report is too large to publish in a committee paper. The records for the Link Fund Solutions Global Stock Fund (managed by Dodge & Cox) are not included at this time as Dodge and Cox only publish their voting record annually, in line with their minimum regulatory requirement. Once published this information will be made available. The voting record of the portfolio managed by Acadian is included as a confidential appendix, as Acadian employ a third-party proxy voting service who consider the rationale for the votes cast as confidential.

8. It is proposed that exception reporting of votes cast against company management is a regular item on the RI sub-committee's agenda, which may highlight areas for officers and/or members to follow-up with investment managers.

REQUIRED CORPORATE AND LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	No
People in Hampshire live safe, healthy and independent lives:	No
People in Hampshire enjoy a rich and diverse environment:	No
People in Hampshire enjoy being part of strong, inclusive communities:	No
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because: For the ongoing management of the Hampshire Pension Fund.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals do not directly affect scheme member.