

Report Title:	<b>Voting and Engagement Policy</b>
Contains Confidential or Exempt Information	No - Part 1
Lead Member:	Councillor Julian Sharpe, Chairman Pension Fund Committee and Advisory Panel
Meeting and Date:	Pension Fund Committee and Advisory Panel – 22 March 2021
Responsible Officer(s):	Ian Coleman, Interim Pension Fund Manager
Wards affected:	None

## **REPORT SUMMARY**

This report presents a draft Voting and Engagement Policy for discussion and agreement.

### **1. DETAILS OF RECOMMENDATION(S)**

**RECOMMENDATION:** That the Pension Fund Committee:

- i) Agrees a Voting and Engagement Policy as provided at Appendix 1.**

### **2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED**

- 2.1 The Pensions Regulator expects pension funds to have a Voting and Engagement Policy. Such a policy forms an integral element of a Responsible Investment Policy.
- 2.2 The Voting and Engagement Policy will have to be deliverable by Local Pensions Partnership Investments (LPPI), the investment manager for the RCBPF. Therefore, it is recommended that the RCBPF adopts the LPPI Shareholder Voting Policy.

### **3. KEY IMPLICATIONS**

- 3.1 Responsible Investment is attracting increasing public, professional and regulatory interest. Failure to adopt and maintain a Voting and Engagement Policy as part of a Responsible Investment Policy is likely to attract increasing criticism from the public, members of the Pension Fund, and The Pensions Regulator.

### **4. FINANCIAL DETAILS / VALUE FOR MONEY**

- 4.1 A Voting and Engagement Policy is considered to be important in the management of investments. The lack of an adequate policy could result in poorer investment performance.

**5. LEGAL IMPLICATIONS**

5.1 RBWM is required to govern and administer the LGPS in accordance with legislation and regulations enacted by the Ministry of Housing Communities and Local Government, and guidance issued by The Pensions Regulator.

**6. RISK MANAGEMENT**

6.1 Failure to adopt and maintain a Voting and Engagement Policy as part of a Responsible Investment Policy could open the RCBPF to increased criticism and, potentially, to poorer investment returns.

**7. POTENTIAL IMPACTS**

7.1 Failure to adopt and maintain a Voting and Engagement Policy as part of a Responsible Investment Policy could open the RCBPF to increased criticism and, potentially, to poorer investment returns.

7.2 Equalities: Equality Impact Assessments are published on the [council's website](#) . N/A

7.3 Climate change/sustainability: Having a Voting and Engagement Policy as part of a Responsible Investment Policy is a key part of the Pension Fund's strategy.

7.4 Data Protection/GDPR. N/A

**8. CONSULTATION**

8.1 Local Pension Board.

**9. TIMETABLE FOR IMPLEMENTATION**

9.1 Immediate.

**10. APPENDICES**

- 10.1 This report is supported by 1 appendix:
  - Appendix 1 – LPPI Shareholder Voting Policy.

**11. BACKGROUND DOCUMENTS**

11.1 This report is supported by 0 background documents:

**12. CONSULTATION (MANDATORY)**

Name of consultee	Post held	Date sent	Date returned
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Cllr Julian Sharpe	Chairman – Berkshire Pension Fund Committee		
Adele Taylor	Director of Resources and Section 151 Officer		
Andrew Vallance	Head of Finance and Deputy s151 Officer		

## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
Pension Fund Committee decision	Yes/No	Yes/No

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# Local Pensions Partnership Investments Ltd

## Shareholder Voting Policy

### 1. Introduction

Local Pensions Partnership Investments Ltd (LPPI) is committed to achieving sustainable investment returns over the long term through an approach to stewardship which embraces responsible investment principles and practice.

We believe that well-governed companies are best equipped to manage business risks and opportunities, and this contributes to achieving optimum risk-adjusted returns over the long term.

We encourage strong governance and sustainable business practices through our oversight and engagement activities. These feature company monitoring and dialogue (directly and via the third-party managers we select to work with us) representation on investor groups and shareholder voting. We support and participate in wider collaborations and frequently work alongside other investors as part of initiatives that build consensus and seek to use collective influence to encourage positive change.

In this document we articulate our approach and arrangements for shareholder voting.

### 2. Policy Objectives

We aim to ensure that:

- Our voting rights are exercised appropriately;
- Our voting process is consistent, efficient and auditable;
- Voting decisions are congruent with our investment beliefs and reflect the long-term financial interests of our clients;
- Voting activity reflects our commitment to responsible investment

### 3. Voting Arrangements

The listed equities we manage fall within the LPPI Global Equities Fund (GEF) which comprises an internally managed portfolio supplemented by segregated external mandates.

The voting rights for stocks within the GEF are retained and exercised centrally by LPPI rather than being delegated to third party external managers. We use our best efforts to vote each shareholder meeting we are entitled to participate in. However, in some circumstances it may be impractical or impossible for us to vote. For example, in international markets where share blocking applies, we typically may not vote due to liquidity constraints.

Where LPP participates in securities lending, procedures are in place to assess the appropriateness of recalling lent stock ahead of shareholder meetings in order to ensure the ability to vote. In each case, the direct monetary impact of recalling shares will be considered against the discernible benefits of exercising voting rights. Decisions will reflect the significance of items on the ballot and whether LPP has actively supported reform of the company's governance practices via engagement or other coordinated efforts including shareholder proposals.

The day-to-day management of our shareholder voting activities is undertaken by the Responsible Investment Team which is overseen by the Head of Responsible Investment. The process is supported by services from an external provider, Institutional Shareholder Services (ISS).

- A web-based voting and research platform (ISS ProxyExchange);
- Voting recommendations in line with a designated voting policy;
- Access to governance data, research and analytics;
- Ballot administration and vote execution;
- Monitoring and reporting functionality

Voting recommendations are made in accordance with the ISS Sustainability Proxy Voting Guidelines. These guidelines are designed to reflect the requirements of investors who have made commitments to the integration of environmental, social and corporate governance (ESG) issues and to responsible investment practices in line with the Principles of Responsible Investment. The Sustainability Guidelines are reviewed and updated annually to ensure they reflect changes in norms and standards as well as new academic research, empirical studies, and market commentary as appropriate.

As part of ongoing oversight, the Responsible Investment Team identifies upcoming company meetings with votes on priority themes and reviews the related ISS analysis and recommendation. Where resolutions are complex or contentious, the Responsible Investment Team will discuss the issue with the internal investment team to agree an appropriate stance. They may also seek insight from a third-party manager who has been in direct dialogue with the company as part of an engagement programme.

As warranted, the Head of Responsible Investment will seek the views of the LPP Stewardship Committee which is chaired by the Chief Investment Officer. Collectively, the Stewardship Committee is the ultimate arbitrator on stewardship matters.

In cases where a decision is taken to depart from the ISS voting recommendation, the underlying voting rationale is recorded for reporting purposes.

The Stewardship Committee receives and reviews voting statistics quarterly.

#### 4. Reporting and Disclosure

To protect confidentiality and remove the opportunity for undue influence as a result of external intervention or duress, LPP will not enter dialogue about voting intentions in advance of company meetings taking place.

Pre-disclosure may be considered for specific resolutions in exceptional circumstances subject to authorisation from the Stewardship Committee. Generally, we would only pre-disclose where there was a pre-existing commitment to working collaboratively with other investors as part of an initiative agreed in advance.

LPPI provides regular reports to client pension funds on shareholder voting activity for the GEF as part of information on wider stewardship and responsible investment activities.

LPPI publicly discloses summary information on voting activity through quarterly reports published retrospectively on the company's website.

Our approach to asset selection (for internally managed assets) and to manager selection and monitoring (for assets managed by external managers) is built around detailed risk analysis and an up-to-date understanding of context as part of due diligence. This approach suits the complexity and multi-dimensional nature of climate change and the challenge it poses for strategy integration.

## 5. Voting Philosophy

In our view, shareholder voting is not a route to micro-manage companies or impose formulaic standards. We use voting to encourage companies to adopt best practice standards but recognize that pragmatism is needed to accommodate local circumstances and scenarios.

We have no management bias and will consider voting against management where companies lag consistently behind accepted norms of good governance, are resistant to dialogue or fail to show evidence of sufficient progress. In circumstances where we use voting to voice concerns, we will seek to target the individual, committee or proposal most directly associated with the specific issue. For example, a failure to provide adequate disclosure in compliance with applicable standards is most likely to be addressed through voting on the annual report and accounts or other statutory publications.

We assess shareholder proposals on their individual merits. We will consider giving support to resolutions which provide an impetus for positive change on matters of significance to institutional shareholders where they;

- Are carefully drafted and proportionate;
- Are accompanied by an appropriate system of checks and balances;
- Are protective of the best interests of long-term investors;
- Do not seek to negate the responsibilities of Board.

Shareholder resolutions are most likely to be viewed sympathetically when they introduce proposals that are proportionate to the underlying issue, are not unnecessarily complex or onerous and have implementation costs which are reasonable in light of the scope of the benefit to be produced.

LPP I will consider co-filing shareholder resolutions with other investors where this offers an appropriate route for active engagement on issues of stewardship priority.