

DERBYSHIRE COUNTY COUNCIL
PENSIONS and INVESTMENTS COMMITTEE

13 June 2018

Report of the Director of Finance & ICT

VOTING ACTIVITY

1 Purpose of the Report

To review the Fund's voting activity for the period 23 February 2018 to 30 May 2018.

2 Information and Analysis

Details of the Fund's voting activity for the period 23 February 2018 to 30 May 2018 are shown in Appendix 1. Votes against management proposals are shown in Appendix 2. The resolution in respect of John Wood Group plc (No 14: Elect Ian McHoul as Director) was subsequently withdrawn by the company. In all other cases, the resolutions were passed.

3 Other Considerations

In preparing this report the relevance of the following factors has been considered: financial, legal and human rights, human resources, equality and diversity, health, environmental, transport, property, social value and prevention of crime and disorder considerations.

4 Officer's Recommendation

That the report be noted.

PETER HANDFORD

Director of Finance & ICT

Company	Meeting Date	Meeting Type
River and Mercantile UK Micro Cap Investment Co., Ltd.	27-Feb-18	Annual
Booker Group PLC	28-Feb-18	Court
Booker Group PLC	28-Feb-18	Special
Tesco PLC	28-Feb-18	Special
The Sage Group plc	28-Feb-18	Annual
Aberforth Smaller Companies Trust Plc	01-Mar-18	Annual
Electra Private Equity plc	01-Mar-18	Annual
Ladbroke's Coral Group plc	08-Mar-18	Court
Ladbroke's Coral Group plc	08-Mar-18	Special
CC Japan Income & Growth Trust plc	13-Mar-18	Annual
3i Infrastructure plc	14-Mar-18	Special
Beazley plc	22-Mar-18	Annual
BlackRock Frontiers Investment Trust plc	27-Mar-18	Special
Rio Tinto plc	11-Apr-18	Annual
Aberdeen Emerging Markets Investment Company Limited	12-Apr-18	Annual
Aberdeen Emerging Markets Investment Company Limited	12-Apr-18	Special
Informa plc	17-Apr-18	Special
Informa plc	17-Apr-18	Special
Laird PLC	17-Apr-18	Court
Laird PLC	17-Apr-18	Court
Laird PLC	17-Apr-18	Special
Laird PLC	17-Apr-18	Special
UBM plc	17-Apr-18	Court
UBM plc	17-Apr-18	Court
UBM plc	17-Apr-18	Special
UBM plc	17-Apr-18	Special
Bunzl plc	18-Apr-18	Annual
Bunzl plc	18-Apr-18	Annual
Essentra plc	19-Apr-18	Annual
Essentra plc	19-Apr-18	Annual
SEGRO plc	19-Apr-18	Annual
SEGRO plc	19-Apr-18	Annual
HSBC Holdings plc	20-Apr-18	Annual
HSBC Holdings plc	20-Apr-18	Annual
HgCapital Trust plc	23-Apr-18	Annual
Shire plc	24-Apr-18	Annual
Shire plc	24-Apr-18	Annual
British American Tobacco plc	25-Apr-18	Annual
British American Tobacco plc	25-Apr-18	Annual
Tullow Oil plc	25-Apr-18	Annual
Tullow Oil plc	25-Apr-18	Annual
Cobham plc	26-Apr-18	Annual
Cobham plc	26-Apr-18	Annual
Schroders plc	26-Apr-18	Annual
Schroders plc	26-Apr-18	Annual
Laird PLC	27-Apr-18	Annual
Laird PLC	27-Apr-18	Annual
Rotork plc	27-Apr-18	Annual
Rotork plc	27-Apr-18	Annual
Travis Perkins plc	27-Apr-18	Annual
Travis Perkins plc	27-Apr-18	Annual
Greencoat UK Wind PLC	30-Apr-18	Annual
Old Mutual plc	30-Apr-18	Annual
Apax Global Alpha Ltd.	01-May-18	Annual
Barclays plc	01-May-18	Annual
Barclays plc	01-May-18	Annual
Jardine Lloyd Thompson Group plc	01-May-18	Annual
Jardine Lloyd Thompson Group plc	01-May-18	Annual
Glencore Plc	02-May-18	Annual
Glencore Plc	02-May-18	Annual
Unilever PLC	02-May-18	Annual
Unilever PLC	02-May-18	Annual
GKN plc	03-May-18	Annual

GlaxoSmithKline plc	03-May-18	Annual
GlaxoSmithKline plc	03-May-18	Special
Reckitt Benckiser Group plc	03-May-18	Annual
Rolls-Royce Holdings plc	03-May-18	Annual
Rolls-Royce Holdings plc	03-May-18	Annual
Capital & Counties Properties PLC	04-May-18	Annual
Capital & Counties Properties PLC	04-May-18	Annual
InterContinental Hotels Group plc	04-May-18	Annual
InterContinental Hotels Group plc	04-May-18	Annual
Smurfit Kappa Group plc	04-May-18	Annual
Anglo American plc	08-May-18	Annual
Anglo American plc	08-May-18	Annual
Standard Chartered PLC	09-May-18	Annual
Standard Chartered PLC	09-May-18	Annual
Aviva plc	10-May-18	Annual
BAE Systems plc	10-May-18	Annual
ITV plc	10-May-18	Annual
ITV plc	10-May-18	Annual
Melrose Industries PLC	10-May-18	Annual
Melrose Industries PLC	10-May-18	Annual
Rathbone Brothers plc	10-May-18	Annual
Renewables Infrastructure Group Ltd	10-May-18	Annual
TP ICAP plc	10-May-18	Annual
John Wood Group PLC	11-May-18	Annual
Man Group plc	11-May-18	Annual
Man Group plc	11-May-18	Annual
RSA Insurance Group plc	11-May-18	Annual
RSA Insurance Group plc	11-May-18	Annual
Centrica plc	14-May-18	Annual
G4S plc	15-May-18	Annual
Spirax-Sarco Engineering plc	15-May-18	Annual
UBM plc	15-May-18	Annual
UBM plc	15-May-18	Annual
Aberdeen Asian Income Fund Limited	16-May-18	Annual
Mondi plc	16-May-18	Annual
National Express Group PLC	16-May-18	Annual
Princess Private Equity Holding Ltd	16-May-18	Annual
Tritax Big Box REIT plc	16-May-18	Annual
Hill & Smith Holdings PLC	17-May-18	Annual
Hiscox Ltd.	17-May-18	Annual
Legal & General Group Plc	17-May-18	Annual
Next Plc	17-May-18	Annual
Prudential plc	17-May-18	Annual
AstraZeneca plc	18-May-18	Annual
BP plc	21-May-18	Annual
NB Private Equity Partners Ltd	22-May-18	Special
NB Private Equity Partners Ltd	22-May-18	Special
Royal Dutch Shell plc	22-May-18	Annual
Royal Dutch Shell plc	22-May-18	Annual
Bovis Homes Group PLC	23-May-18	Annual
Ferguson PLC	23-May-18	Special
Inchcape plc	24-May-18	Annual
Inchcape plc	24-May-18	Annual
Lloyds Banking Group plc	24-May-18	Annual
Lloyds Banking Group plc	24-May-18	Annual
Informa plc	25-May-18	Annual
Old Mutual plc	25-May-18	Court
Old Mutual plc	25-May-18	Court
Old Mutual plc	25-May-18	Special
Standard Life Aberdeen PLC	29-May-18	Annual
Standard Life Aberdeen PLC	29-May-18	Annual
BlackRock Latin American Investment Trust plc	30-May-18	Annual

Votes Against Management Report

Reporting Period: 02/23/2018 to 05/30/2018

Booker Group PLC

Meeting Date: 02/28/2018

Country: United Kingdom

Meeting Type: Court

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Scheme of Arrangement	For	Against	Against	Against
<p><i>Voting Policy Rationale: A vote AGAINST this transaction is warranted at this time because: * Although, the combination is expected to result in substantial synergies, it appears that Booker shareholders will limited potential benefit from those synergies. * Rationale for Booker shareholders to give up control appears less than compelling at the relatively low premium offered. * The current mechanism to pay only 65 percent of FY'18 earnings as a closing dividend appears unjustified, given that the expected closing date of the deal coincides closely with Booker's fiscal year end, and that in anticipation of the Tesco transaction, Booker paid out to shareholders all its earnings for the previous fiscal year. * The downside risk for Booker shareholders, if the deal does not get approved, appears to be limited.</i></p>					

Booker Group PLC

Meeting Date: 02/28/2018

Country: United Kingdom

Meeting Type: Special

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Matters Relating to the Share and Cash Merger of Tesco plc and Booker Group plc	For	Against	Against	Against
<p><i>Voting Policy Rationale: A vote AGAINST this transaction is warranted at this time because: * Although, the combination is expected to result in substantial synergies, it appears that Booker shareholders will limited potential benefit from those synergies. * Rationale for Booker shareholders to give up control appears less than compelling at the relatively low premium offered. * The current mechanism to pay only 65 percent of FY'18 earnings as a closing dividend appears unjustified, given that the expected closing date of the deal coincides closely with Booker's fiscal year end, and that in anticipation of the Tesco transaction, Booker paid out to shareholders all its earnings for the previous fiscal year. * The downside risk for Booker shareholders, if the deal does not get approved, appears to be limited.</i></p>					

British American Tobacco plc

Meeting Date: 04/25/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
8	Re-elect Dr Marion Helmes as Director	For	Against	Against	Against

Votes Against Management Report

Reporting Period: 02/23/2018 to 05/30/2018

British American Tobacco plc

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
	<i>Voting Policy Rationale: Items 6-7 and 9-15: Nicandro Durante, Sue Farr, Savio Kwan, Dimitri Panayotopoulos, Kieran Poynter, Ben Stevens, Luc Jobin, Holly Keller Koepfel and Lionel Nowell IIIA vote FOR these candidates is warranted as no significant concerns have been identified. Item 5: Richard BurrowsA vote FOR the re-election of Richard Burrows is warranted, although it is not without concern for shareholders:* In addition to being Board Chairman of British American Tobacco, Richard Burrows is also Chairman of Craven House Capital plc (FTSE AIM) and a NED at Rentokil Initial plc (FTSE 100) and Carlsberg (NASDAQ Copenhagen).The main reason for support is:* Richard Burrows' other chairmanship is at a very small AIM-listed company, which naturally requires less time than a FTSE All Share company. However, his aggregate positions will be kept under close review in the future, when a more stringent position may be warranted. Item 8: Marion HelmesA vote AGAINST the re-election of Marion Helmes is warranted because:* Aside from being a NED at British American Tobacco, Marion Helmes is also a director at six other companies. An announcement was made in February 2018 by Heineken that Marion Helmes will step down from the Supervisory Board of Bilfinger at its 2018 AGM. However, even when this change takes place, she will have six positions in aggregate and each on these companies are very large, therefore raising questions regarding her ability to devote sufficient time to her role at British American Tobacco.</i>				

Rotork plc

Meeting Date: 04/27/2018 Country: United Kingdom
Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
12	Approve Remuneration Report	For	Against	Against	Against
	<i>Voting Policy Rationale: A vote AGAINST the remuneration report is warranted for the following reasons:* The new CEO has been appointed on a salary significantly higher than his predecessor; this follows large salary increases made to the EDs for FY2017 and a large vote against the remuneration report at the 2017 AGM.* The personal targets attached to the former CEO's pro-rated FY2017 bonus payment are not disclosed.</i>				

Old Mutual plc

Meeting Date: 04/30/2018 Country: United Kingdom
Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2x	Re-elect Vassi Naidoo as Director	For	Against	Against	Against
	<i>Voting Policy Rationale: Item 2i-2ix & 2xiA vote FOR these candidates is warranted as no significant concerns have been identified. Item 2xA vote AGAINST this candidate is warranted:* Vassi Naidoo is a non-independent member of the Audit Committee. This contravenes the UK Corporate Governance Code's recommendation that the audit committee should comprise entirely of independent NEDs.</i>				

Votes Against Management Report

Reporting Period: 02/23/2018 to 05/30/2018

Apax Global Alpha Ltd.

Meeting Date: 05/01/2018

Country: Guernsey

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
5.1	Accept Financial Statements and Statutory Reports	For	Against	Against	Against

*Voting Policy Rationale: A vote AGAINST this resolution is warranted because of the following deviation from best practice: * The Company has not put forward resolutions seeking shareholder approval for the remuneration report and the remuneration policy, contrary to the provisions of the Companies Act 2006.*

Jardine Lloyd Thompson Group plc

Meeting Date: 05/01/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2	Approve Remuneration Report	For	Against	Against	Against
8	Re-elect Adam Keswick as Director	For	Against	Against	Against

*Voting Policy Rationale: A vote AGAINST the remuneration report is warranted because: * As highlighted in prior years, the financial component of the bonus plan is based on a single target (as opposed to the usual threshold-maximum target range) and maximum bonuses have been awarded during the year under review. It is not clear how bonus entitlement is calculated when the target is missed or exceeded. On previous occasions, bonus has been paid out, at a reduced level, where the target has been missed. Therefore, it would appear that discretion is used to determine the outcome. * LTIP targets require growth of 36% over three years for maximum vesting. This compares with current broker consensus of 50 percent growth. In that light, EPS targets would appear insufficiently stretching. This concern is significant because of the generous LTIP grants (for a company of this size) and because EPS is the only performance condition featured. These issues are also assessed against the background of high variable opportunities in aggregate, which are coming off generously positioned salaries.*

*Voting Policy Rationale: Item 4-7, 10-12 and 14A vote FOR these Directors is warranted as no significant concerns have been identified. Item 8A vote AGAINST this resolution is warranted because: * Adam Keswick is a member of the Remuneration Committee, which should be wholly independent under the Code. Item 9A vote FOR this resolution is warranted, although it is not without concern because: * Dominic Burke has a significant external time commitment in addition to his role at Jardine Thompson Group. On strict application of ISS Policy, Dominic Burke would be considered over committed because it states that an executive director should not hold any chairmanship roles. However, in mitigation, this particular directorship is at a very small Company which is not expected to take up a material amount of time. Item 13A vote AGAINST this resolution is warranted because: * Lord Sassoon is a member of the Audit and Remuneration Committee, which should be wholly independent under the Code.*

Votes Against Management Report

Reporting Period: 02/23/2018 to 05/30/2018

Jardine Lloyd Thompson Group plc

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
13	Re-elect Lord Sassoon as Director	For	Against	Against	Against
<i>Voting Policy Rationale: Item 4-7, 10-12 and 14A vote FOR these Directors is warranted as no significant concerns have been identified. Item 8A vote AGAINST this resolution is warranted because: * Adam Keswick is a member of the Remuneration Committee, which should be wholly independent under the Code. Item 9A vote FOR this resolution is warranted, although it is not without concern because: * Dominic Burke has a significant external time commitment in addition to his role at Jardine Thompson Group. On strict application of ISS Policy, Dominic Burke would be considered over committed because it states that an executive director should not hold any chairmanship roles. However, in mitigation, this particular directorship is at a very small Company which is not expected to take up a material amount of time. Item 13A vote AGAINST this resolution is warranted because: * Lord Sassoon is a member of the Audit and Remuneration Committee, which should be wholly independent under the Code.</i>					

Unilever PLC

Meeting Date: 05/02/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3	Approve Remuneration Policy	For	Against	Against	Against
<i>Voting Policy Rationale: A vote AGAINST this resolution is warranted due to following concerns: * Whilst some positive improvements to the policy have been noted, concerns are raised regarding the impact of the change from base salary to a consolidated "fixed pay" structure, particularly as a result of increases to both fixed pay and the annual bonus potential.</i>					

John Wood Group PLC

Meeting Date: 05/11/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
14	Elect Ian McHoul as Director	For	Abstain	Abstain	Against
<i>Voting Policy Rationale: Items 4-13A vote FOR these Directors is warranted as no significant concerns have been identified. Item 14A Abstain on the election of Ian McHoul is warranted because: * Ian McHoul stepped down from the Board on 5 April 2018. A vote AGAINST this resolution is warranted for those shareholders in markets which have a fiduciary responsibility to vote either for or against and who do not recognise abstentions as a valid option.</i>					

Votes Against Management Report

Reporting Period: 02/23/2018 to 05/30/2018

AstraZeneca plc

Meeting Date: 05/18/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
6	Approve Remuneration Report	For	Against	Against	Against
<i>Voting Policy Rationale: A vote AGAINST this resolution is warranted on account of: * Concerns around the level of disclosures and the outcomes under the Company's annual bonus framework.</i>					

Royal Dutch Shell plc

Meeting Date: 05/22/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2	Approve Remuneration Report	For	Against	Against	Against
<i>Voting Policy Rationale: A vote AGAINST this resolution is warranted: * The operational excellence and sustainable development targets have been met at near-target levels and comprise 70% of the bonus scorecard, yet an outcome of 80% of maximum bonus has been delivered to the CEO. There is also scope for improved disclosure around how the Pakistan incident factored in to the Remuneration Committee's discussions on bonus outcomes, as this was not covered in the remuneration report. * Under the LTIP, c. 2.4 times annual salary is payable at threshold levels. Given the competitive positioning of the salaries, this could be considered a relatively high level of reward for threshold performance. * Public disclosures around the FCF targets under the LTIP are considered to be market-lagging.</i>					
19	Request Shell to Set and Publish Targets for Greenhouse Gas (GHG) Emissions	Against	Against	Against	For

Bovis Homes Group PLC

Meeting Date: 05/23/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2	Approve Remuneration Report	For	Against	Against	Against

Votes Against Management Report

Reporting Period: 02/23/2018 to 05/30/2018

Bovis Homes Group PLC

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
	<i>Voting Policy Rationale: A vote AGAINST the remuneration report is warranted on account of the following concerns: * Threshold vesting levels for FY2018 LTIP awards have been increased without any further explanation while an exceptional award is being granted to the Group CEO; * LTIP awards made during the year to the FD were made in September 2017, after completion of the operational review – but were valued at the lowest share price in the year; * Additional LTIP awards on top of normal award limit to be made in FY2018 for the FD and no disclosures provided for investors to fairly assess if suitable stretch has been built into the additional awards; * Use of upward discretion by the Remuneration Committee when determining annual bonus outcomes for the FD; and * Above inflationary salary increases for FD and a salary increase for the CEO despite a generously positioned salary.</i>				

Lloyds Banking Group plc

Meeting Date: 05/24/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
14	Approve Remuneration Report	For	Against	Against	Against
	<i>Voting Policy Rationale: A vote AGAINST the remuneration report is warranted on account of: * Concerns over the bonus framework which is considered to be unduly complex and there is lack of clarity in the Company's public disclosures on how bonus outcomes are determined. * Concerns have been identified with the alignment of pay and relative performance.</i>				

Informa plc

Meeting Date: 05/25/2018

Country: United Kingdom

Meeting Type: Annual

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3	Approve Remuneration Policy	For	Against	Against	Against
	<i>Voting Policy Rationale: A vote AGAINST the remuneration policy is warranted because: * The bonus opportunity will be increased from 150% to 175% of salary, and the LTIP limit from 200% to 325%; * The timing of such substantial increases, before the merger has been implemented, is questionable; and * Some of the details of the 2018 LTIP grant have not yet been determined and/or confirmed. This is not a disclosure issue, but is due to the timing of the UBM deal, which was approved so soon before the AGM. However, it remains the case that shareholders do not yet know all the targets pertaining to a substantially larger grant. It is understandable that the increased size and scale of the Company, post UBM merger, would justify some increase to the package, but the magnitude of the increase to variable opportunity is not considered appropriate.</i>				
18	Amend 2014 Long-Term Incentive Plan	For	Against	Against	Against
	<i>Voting Policy Rationale: A vote AGAINST this Item is warranted because: * The proposed increase to LTIP awards from 200% to 325% of salary is not considered appropriate</i>				

Votes Against Management Report

Reporting Period: 02/23/2018 to 05/30/2018

Old Mutual plc

Meeting Date: 05/25/2018 Country: United Kingdom
Meeting Type: Special

Voting Policy: ISS

Proposal Number	Proposal Text	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2	Approve Quilter plc Performance Share Plan	For	Against	Against	Against
Voting Policy Rationale: A vote AGAINST the Quilter Performance Share Plan is considered warranted: * No individual limit is set under the scheme rules. Quilter plc's remuneration policy – available in the Quilter prospectus – sets the levels of "normal" and "exceptional" award limits. * The presence of a de facto cap via the policy is not sufficient justification for the absence of an individual limit on the incentive plan; the absence of the latter is out of step with market practice in the UK.					
7	Approve Old Mutual Limited Employee Share Ownership Plan	For	Against	Against	Against
Voting Policy Rationale: A vote AGAINST the Old Mutual Ltd ESOP is considered warranted: * No performance conditions will apply to this scheme, and Executive Directors will be eligible to receive awards.					