

VOTING REVIEW

Report of the Finance Director

Author of the report: Nicola Webb (Telephone: 01992 555394)

1. Purpose of the Report

- 1.1 To advise the Committee of the results of the annual review of the Fund's voting policy.

2. Summary

- 2.1 Investment managers are asked to vote in accordance with the NAPF Voting Issues Service recommendations in respect of the Fund's holdings of equities in the largest 350 quoted UK companies.
- 2.2 The managers voted at 240 company AGMs or EGMs through the year, and a review has found that the votes were in accordance with the policy in all but a small number of occasions.

3. Conclusion

- 3.1 The Fund is following best practice by complying with the recommendations of the Committee of Inquiry into UK voting.
- 3.2 The Fund's investment managers have generally voted in accordance with NAPF guidelines in the period July 2003 – June 2004.

4. Background

- 4.1 There has been a policy to vote in respect of the Pension Fund's holdings of equities in the largest 350 quoted UK equities since July 1997. The Investment Managers are asked to vote in accordance with the recommendations of the voting advisory service appointed by the Finance Director, and to report the votes on a six monthly basis.
- 4.2 The NAPF Voting Issues Service was appointed as the Fund's Voting Advisory Service with effect from 1 September 2002. The last review of voting was reported to the Investment Committee in September 2003.
- 4.3 The NAPF have recently gone into partnership with Institutional Shareholder Services to run a new service called RREV - Research Recommendations and Electronic Voting. This replaces the Voting Issues Service and will provide voting advice to the Fund's Managers.

5. Review of Voting Policy

- 5.1 The Finance Director has reviewed NAPF's voting advice over the period from July 2003 to June 2004 and is satisfied that it has been consistent with the recommendations of both the Cadbury and Greenbury reports.
- 5.2 The Finance Director has also reviewed the voting instructions reported by the managers. Over the period of the review the managers voted at all the meetings they were entitled to – this led to one or more of the managers voting at 240 company AGMs or EGMs.
- 5.3 The review has found that on several occasions fund managers have not voted in accordance with NAPF's recommendations without obtaining prior clearance from the Finance Director. In all but one case it was Jupiter Asset Management who did not vote in accordance with the policy. The Finance Director has brought this to their attention and sought assurances they will follow the policy in future.

Background Papers used by the Author

Managers' quarterly reports: September 2003 – June 2004
NAPF Voting Issues Service notes July 2003 – June 2004

