

## **Suffolk Pension Fund Voting Policy on shareholdings**

### **General Principles**

The Suffolk Pension Fund will seek to protect and enhance the value of its shareholdings in UK companies, by promoting good practice in the corporate governance and management of those companies. The following guidelines set out the principles of good corporate governance and the means by which the Pension Fund will seek to exercise its influence on companies.

The Pension Fund recognises its responsibilities as an investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios. It believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole and, therefore, will not actively disinvest from companies solely or principally because of social or ethical or environmental reasons.

The Pension Fund will advise the company's management of any concerns it has in relation to issues raised by these guidelines. This will allow the company to respond, if it wishes to explain its reasons for any policies which deviate from these guidelines. In general the Pension Fund will not oppose management policies, on the first occasion it has a concern, in order to consider the company's explanation of its policies where one is provided.

In seeking to achieve its investment objectives the Authority recognises the importance of the voting rights attached to its British listed investments and exercises them whenever possible. The Authority's voting policy is published on the Suffolk Pension Fund website ([www.suffolkpensionfund.org](http://www.suffolkpensionfund.org)).

The Suffolk Pension Fund has appointed a contractor to ensure that its votes are effectively executed and voting decisions are published on the Fund's website. Constructive shareholder engagement, with the aim of promoting and supporting good corporate governance principles and practice, will be pursued whenever circumstances and constraints allow. The Authority's expectations are based upon the legal and regulatory framework of the market in which the company operates.

The following guidelines highlight the main issues considered by the Pension Fund when determining its voting policy, the Authority's preferred outcome and the methodology employed to translate the policy into votes. They are not exhaustive. Because the Authority is well aware of the inherent difficulties of imposing too rigid a guideline on a wide range of situations, the guidelines will be interpreted flexibly according to the specific circumstances of each company and meeting.

The guidelines are reviewed when events make such a review appropriate.

### **1. General Voting guidelines**

#### **1.1. To Vote For**

- a proposal which complies with these guidelines

### 1.2. To Abstain

- a proposal which breaches these guidelines, where the issue is raised for the first time with the company.
- a proposal which breaches these guidelines, where the concern is not sufficiently material to oppose.

### 1.3. To Vote Against

- a proposal which breaches these guidelines, if the concerns have been raised by the Pension Fund with the company on a previous occasion.
- a proposal which breaches these guidelines on the first occasion it arises, if the concerns are serious enough to justify immediate action.

## 2. Directors

The principles that are applied in relation to the role of executive and non-executive directors are as follows:

### 2.1. Division of responsibilities

- There should be a separate chairman and chief executive.
- The chairman should not have previously served as chief executive.
- There should be a senior independent non-executive director.

### 2.2. Independent non-executives

- The Board should have sufficient independent non-executive directors with a minimum of three non-executives on the board.
- At least half of the board should be independent.

### 2.3. Accountability

- All directors should be subject to regular re-election, at least every three years.

### 2.4. Independent appointment process

- A majority of the Nomination committee should consist of independent non-executive directors.

### 2.5. Remuneration and audit committees

- Where a director is a member of the Remuneration committee or the Audit committee, the guidelines on best practice in these areas, which are referred to below, will be followed in voting on that director.

## • **Voting guidelines: Election of Executive Directors**

**Vote for** the election of an executive director, only where the following are satisfied:

- the candidate is subject to re-election by rotation at least every 3 years.
- where the candidate is over 70 and is required to stand for re-election each year.

- where at least one half of the Board are independent non-executive directors.
- there is a senior independent non-executive director.
- where there is a formal nomination process for directors e.g. a Nomination committee, and a majority of the Nomination committee consists of independent non-executive directors.

**Vote against** the election of an executive director, if one of the following situations exists:

- a director, who is not subject to re-election by rotation at least every three years.
- a director, where a candidate is over 70, and is not required to stand for re-election each year.
- a director, who has a contract period of longer than one year, and there are no exceptional circumstances.
- a director, where less than one half of the Board are independent non-executive directors.
- a director, who is also a member of the Nomination Committee, where a majority of the Nomination Committee are not independent non-executive directors.
- a director, who is also a member of the Audit Committee.
- a director, who is also the company secretary.

- **Voting guidelines: Election of Non-Executive Directors**

**Vote for** the election of a non-executive director, only where the following are satisfied:

- where there is re-election of directors by rotation at least every 3 years.
- where candidate is over 70 and is required to stand for re-election each year.
- where the candidate is independent, in terms of the Higgs Report.
- where the candidate is not independent, but at least one half of the Board are independent non-executive directors.
- where there is a formal nomination process for directors e.g. a Nomination committee, and a majority of the Nomination committee consists of independent non-executive directors.

**Vote against** the election of a non-executive director, if one of the following situation exists:

- a director, who is not subject to re-election by rotation at least every three years.
- a director, where a candidate is over 70, and is not required to stand for re-election each year.
- a director, who is not independent, where less than one half of the Board are independent non-executive directors.
- a director, who is not independent, and who is a member of the Audit committee.
- termination provisions are in excess of one year's salary and benefits.

- **Voting guidelines: Election of Chairman**

**Vote for** election of a chairman, only where the following are satisfied:

- there is a senior independent non-executive director.

**Vote against** election of a chairman, if one of the following situations exists:

- where the candidate combines the roles of Chairman and Chief Executive, unless there are exceptional circumstances e.g. a temporary arrangement, pending separation of the posts.
- where the candidate is proposed as an Executive Chairman and there is no separately designated Chief Executive, unless there is an explanation of how the Chairman's role is balanced by other executive directors.

### **3. Directors' Remuneration**

The principles that are applied in relation to the remuneration of director are as follows:

#### **3.1. Remuneration committee**

- Executive remuneration should be determined by a remuneration committee.
- All directors on the remuneration committee should be independent.

#### **3.2. Disclosure**

- There should be full and transparent disclosure of each director's remuneration.

#### **3.3. Long-term incentives scheme**

- Long term incentive schemes should be based on challenging performance targets over a consecutive period of at least three years. Therefore performance targets for minimum rewards should be based on at least producing median performance for the industry or average market returns.
- Performance should be measured by reference to comparison with the company's competitors, rather than by reference to general market movements.

#### **3.4. Remuneration Packages**

- Total rewards available under the terms of the director's contract should not be excessive. Excessiveness will be judged by reference to market norms in the industry concerned.
- Share-based incentive schemes should require a significant financial commitment from the participant, to align their interests with those of shareholders.

#### **3.5 Contract Period**

- Executive director contracts should not be longer than one year.

- Contracts should not provide for automatic compensation in excess of one year's salary in the event of termination of the contract.

- **Voting guidelines: Remuneration Report**

**Vote for** the Remuneration Report if the following conditions exist:

- where all directors' contract periods are for no longer than one year.
- where only independent directors are members of the Remuneration Committee
- where the company complies with the Combined Code on remuneration matters.

**Vote against** the Remuneration Report:

- where any director's contract period is for more than one year, and there are no exceptional circumstances
- where a director, who is not independent, is a member of the Remuneration Committee.

- **Voting guidelines: Executive remuneration schemes and long-term incentive plans**

**Vote against:**

- where the remuneration structure does not permit participation across the workforce.
- where there is a no capital commitment on the part of executive participants.
- where rewards are not based on performance targets, or where performance targets do not reflect performance relative to the company's competitors, rather than general market factors.
- where the period over which performance is assessed is less than 5 years.

### **Abstain in other circumstances**

## **4. Audit**

The principles that are applied in relation to the role of auditors and the Audit Committee are as follows.

### **4.1. Audit committee**

- There should be an audit committee of at least three members, all of whom should be independent non-executive directors.
- At least one member of the audit committee should have significant financial experience.
- The responsibilities of the committee should include to review the company's internal financial control system, and to make recommendations to the board on the appointment of the external auditor.

- The annual report should include a separate section that describes the work of the audit committee.

#### 4.2. External Auditors

- Non-audit fees should be disclosed and should not affect audit independence. In general, fees for non-audit work should not represent more than 25% of the total audit fees, unless there are special circumstances which are explained.

#### 4.3. Statement of accounts

- The Statement of accounts should receive an unqualified audit opinion, unless there are exceptional circumstances that are fully explained in the Annual Report.

### **Voting guidelines: Audit**

#### **Vote for** the re-appointment of the auditors:

- where the fees for non-audit work are immaterial (less than £100,000) or less than one quarter of the total payments to the auditor.

#### **Vote against:**

- the re-appointment of the auditors where the fees for non-audit work are material and exceed the fee for audit work.
- the auditor's tenure exceeds ten years or is undisclosed.
- the approval of the Statement of Accounts, when the accounts are qualified, and there is no satisfactory explanation.

## **5. Shareholder Rights**

The principles that are applied in relation to the shareholder rights are as follows.

#### 5.1. Dividends

- Declared dividends should be put to a vote.

#### 5.2. Share Buybacks

- The Stock Exchange guidance is that market repurchases of up to 15% of share capital may be made within a 12 month period, provided that the price does not exceed 105% of market value. Share buybacks may affect earnings per share and so performance targets for directors' remuneration should be adjusted accordingly. Share re-purchase proposals should comply with the Stock Exchange's guidance, and should be put as special resolutions.

#### 5.3. Pre-emption rights

- The disapplication of pre-emption rights (the requirement to allot shares only to existing shareholders) will be supported provided that the share

allotment does not exceed 5% of issued share capital within one year or 7½% within a 3 year rolling period.

#### 5.4. Controlling Shareholder

- Where there is a shareholder or connected group of shareholders holding more than 30% of the voting rights, there should be safeguards in place to protect the rights of other shareholders. A majority of the board should not be connected with the controlling shareholder.

#### 5.5. Memorandum and articles of association

- Any proposals affecting the memorandum and articles of association should be put as separate resolutions.

#### 5.6. Political Donations

- All political donations should be fully disclosed and justified. Any political donations should be subject to a separate vote.

### **Voting guidelines: Shareholder Rights**

#### **Vote for:**

- Pre-emption, where a proposal complies with the Pre-emption Guidelines
- Share buybacks, where the proposals comply with the Yellow Book guidelines, and any relevant performance targets for executive directors are adjusted accordingly.

#### **Vote against:**

- Proposed dividend and special dividends which are not covered by earnings and the company offers no explanation of policy.
- Pre-emption, where a proposal does not comply with the Pre-emption Guidelines.
- Share buybacks, where the proposals do not comply with the Yellow Book guidelines.
- Annual report, where dividend policy is not put to a vote.
- Bundled resolutions, unless the reasons are fully explained or the issues concerned are immaterial.
- Annual report, where political donations are material (more than £100,000) and are not subject to a separate vote.

## **6. Environmental Issues**

The principles that are applied in relation to the environmental issues are as follows:

### 6.1. Published Policy

- The company should publish a formal statement setting out its approach to dealing with environmental issues.

## 6.2. Reporting

- The Annual Report should disclose the company's procedures for auditing and reporting on environmental risks.

### **Voting guidelines: Environmental Issues**

#### **Vote for:**

- Annual report, where it includes full disclosure of company's policies and verification procedures on environmental matters.

#### **Vote against:**

- Annual report, where significant environmental risks in relation to the company's activities are not disclosed or reported on.

## **7. Other non-routine resolutions**

Any other AGM/EGM resolution, not covered by the above guidelines, which was identified as significant and non-routine, would be determined by the Director of Resource Management.