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To: Councillor Crockett Convener; and Councillors Donnelly, Kiddie, Laing, Malone, May, Noble, Reynolds and Young

Town House, ABERDEEN
14th November 2014

PENSIONS COMMITTEE

The Members of the **PENSIONS COMMITTEE** are requested to meet on **MONDAY, 24 NOVEMBER 2014 at 10.00 am** in **COMMITTEE ROOM 5 - TOWN HOUSE**

JANE G. MACEACHRAN
HEAD OF LEGAL AND DEMOCRATIC SERVICES

B U S I N E S S

1 Exempt Business

Members are requested to resolved that any exempt business on this Agenda be considered with the press and public excluded.

2 Apologies for Absence

3a Minute of the Special Meeting of the Pensions Panel held on 30th June 2014 - For Approval (Pages 1 - 2)

3b Minute of the Meeting of the Pensions Panel held on 8th September 2014 - For Approval (Pages 3 - 8)

4 Matters Arising

5 Draft Minute of the Meeting of the Joint Investment Advisory Committee held on 28th & 29th August 2014 - For Information (Pages 9 - 14)

- 6 Report on the 2013/14 Audit of North East Scotland Pension Fund - Report by the External Auditor (Pages 15 - 40)
- 7 New Local Government Pensions Scheme (Scotland) (2015) (Pages 41 - 64)
- 8 Corporate Governance Report (Pages 65 - 106)

NOT FOR PUBLICATION

- 9 Governance Report (Pages 107 - 118)
- 10 Fund Performance Report (Pages 119 - 140)

Website Address: www.aberdeencity.gov.uk

Should you require any further information about this agenda, please contact Fiona Smith, tel 522516 or email fismith@aberdeencity.gov.uk

ABERDEEN CITY COUNCIL

PENSIONS PANEL

ABERDEEN, 30th June 2014 – Minute of Meeting of the **PENSIONS PANEL**.

Present Councillor B Crockett, Convener, Councillor A Donnelly, Councillor J Noble and Cllr J Reynolds.

In Attendance Mr S Whyte, Head of Finance, Ms A Mollison, Legal Manager, Ms L Goodchild, Pensions Manager, Ms A MacDonald, External Audit and Ms F Smith, Governance Support Officer.

EXEMPT BUSINESS

1. The Panel was requested to determine that the following items of business, which contained exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973, be taken in private:-

3) Admitted

The Panel resolved:-

In terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of item 3 so as to avoid disclosure of exempt information of the classes described in paragraph 12.

APOLOGIES FOR ABSENCE

2. Apologies for absence were noted from Cllr A Malone.

The Panel resolved:

To note the apologies received.

EXEMPT INFORMATION

Prior to considering the remaining items of business the Board resolved that in terms of Section 50A (4) of the Local Government (Scotland) Act 1973 that the public be excluded from the meeting during the consideration on the items on the grounds that it was likely in view of the nature of proceedings that if members of the public were present during the consideration of these items that there would be a disclosure to them of exempt information as defined in paragraphs 8 & 12 of part 1 of Schedule 7A of the said Act.

ADMITTED BODIES

- 3. Councillor Donnelly declared an interest in part this item as a result of his role as Trustee of Oakbank School. He considered that the nature of his interest required him to withdraw from the meeting, which he did for the part of this item relating to Fund Employers being considered.**

The Panel received a verbal update in respect of on-going litigation from the Legal Manager. Following this update there followed an opportunity for Members to raise any questions and thereafter a detailed discussion on the update was held.

The Committee approved the recommendation made by officers that discussion around the settlement of the action take place and that the litigation be paused to enable this to occur.

The Panel Resolved:

To agree that discussion around the settlement of the action take place and that the litigation be paused to enable this to occur..

COUNCILLOR B CROCKETT - Convenor

ABERDEEN CITY COUNCIL

PENSIONS PANEL

ABERDEEN, 8th September 2014 – Minute of Meeting of the **PENSIONS PANEL**.

Present Councillor B Crockett, Convener, Councillor A Donnelly, Councillor A Malone, Councillor J Noble and Cllr J Reynolds.

In Attendance Mr S Whyte, Head of Finance, Ms J MacEachran, Head of Legal & Democratic Services, Ms L Goodchild, Pensions Manager, Mr S Boyle, External Audit, Ms A MacDonald, External Audit and Ms F Smith, Governance Support Officer.

EXEMPT BUSINESS

1. The Panel was requested to determine that the following items of business, which contained exempt information as described in Schedule 7(A) of the Local Government (Scotland) Act 1973, be taken in private:-

- 11) Governance Report
- 12) Investment & Accounting Report
- 13) Aberdeen City Council Transport Fund Report

The Panel resolved:-

In terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of items 11 - 13 so as to avoid disclosure of exempt information of the classes described in paragraph 8 (Items 12 & 13) and paragraph 12 (Item 11).

APOLOGIES FOR ABSENCE

2. There were no apologies for absence received.

MINUTE OF MEETING OF THE PENSIONS PANEL HELD ON 16TH JUNE 2014

3. The Panel had before it, and approved as a correct record, the Minute of the Pensions Panel meeting of 16th June 2014.

The Panel resolved:

To approve the minute.

MATTERS ARISING

5. There were no matters arising

ADMINISTRATION AND TECHNICAL & COMMUNICATIONS

6. The Principal Pensions Officer (Benefits) and the Principal Pensions Officer (Technical & Communications) were present at the meeting for this item and provided a presentation detailing the role and systems used by both teams.

Thereafter, the Panel had before it a report from the Head of Finance which provided an overview of the administration of the scheme by the Pensions Section.

The Pensions Manager introduced the report and advised that the report contained a summary of activity over the three reporting areas namely: Benefit Administration; Technical & Communication matters and Administration Performance statistics.

The Panel Resolved:

To note the report.

NORTH EAST SCOTLAND PENSION FUNDS - REPORT TO THOSE CHARGED WITH GOVERNANCE ON THE 2013/14 AUDIT

7. The Panel had before it a report from the External Auditor which set out, for the Pensions Panel consideration, the matters arising from the audit of the financial statements for 2013/14 that require to be reported to the Panel under ISA 260.

The External Auditor introduced the report and advised that ISA 260 requires auditors to raise specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action to be taken.

Thereafter the report detailed the matters which required to be reported, these being: conduct and scope of the audit, fraud and audit opinion and representations. The report further details the significant findings from the audit and the resolutions identified for each finding.

The Panel Resolved:

To note the report.

NORTH EAST SCOTLAND PENSION FUNDS – INTERIM REPORT 2013/14 AUDIT

8. The Panel had before it a report from the External Auditor which provided a summary of the findings of the audit work carried out in the period to June 2014 as part of the 2013/14 audit of North East Scotland Pension Funds.

The External Auditor introduced the report and advised that the audit work conducted covered the areas of Governance and Accountability and Key

Financial Controls. The report set out an action plan which detailed the high level risks that were identified in the audit and the steps being taken by officers in addressing these. The report noted that the majority of actions have been completed with only three outstanding.

The Panel resolved:

To note the report.

NEW LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) 2015

9. The Panel had before it a report from the Head of Finance which provided an update on the progress made in implementing the new Local Government Pension Scheme.

The Pensions Manager introduced the report and provided an overview of the content to Members. It was noted that the new LGPS (Scotland) will take effect from 1st April 2015 and will replace the existing scheme. The report provided updates in respect of the Head of Agreement, the New Scheme Implementation Project and a Project Plan update.

The Panel resolved:

To note the report.

ADMITTED BODY STATUS – SANCTUARY HOUSING AND SANCTUARY SCOTLAND

10. The Panel had before it a report from the Head of Finance which notified of an application from Sanctuary Group for admitted body status for Sanctuary Scotland.

The Pensions Manager introduced the report and advised of the application received and advised that the Scheme Actuary is currently assessing the bond requirement.

The Panel resolved:

- To admit Sanctuary Scotland into the North East Scotland Pension Fund, transferring existing staff employed by Tenant First Housing Co-operative.
- To otherwise note the report.

EXEMPT INFORMATION

Prior to considering the remaining items of business the Board resolved that in terms of Section 50A (4) of the Local Government (Scotland) Act 1973 that the public be excluded from the meeting during the consideration on the items on the grounds that it was likely in view of the nature of proceedings that if members of the public were present during the consideration of these items that there

would be a disclosure to them of exempt information as defined in paragraphs 8 & 12 of part 1 of Schedule 7A of the said Act.

GOVERNANCE REPORT

11. **Councillor Donnelly declared an interest in part this item as a result of his role as Trustee of Oakbank School. He considered that the nature of his interest required him to withdraw from the meeting, which he did for the part of this item relating to Fund Employers being considered.**

The Panel had before it a report from the Head of Finance which provided an update to Member on the Fund's compliance with the Pensions Fund's Governance policies.

The Pensions Manager introduced the report and advised that it provided an overview in respect of the funds governance. The report set out recommendations in respect of the tendering for an Investment Consultant and summarised and issues relating to admitted bodies. The report further provided a Funding update as at 30th June 2014 and outlined current and future training and conference opportunities.

The Panel Resolved:

- To approve the tendering of Investment Consultant services
- To otherwise note the report.

INVESTMENT AND ACCOUNTING REPORT

12. The Panel had before it a report from the Head of Finance which provided an update in respect of the investment activity of the Fund to 30th June 2014.

The Pensions Manager introduced the report and advised that it provided an overview of investment performance and asset allocation for the preceding quarter. Further the report outlined an updated debtors analysis and details of current termination valuations provided.

The Panel resolved:

- To approve the tendering of Global Custody services
- To otherwise note the report.

ABERDEEN CITY COUNCIL TRANSPORT FUND

13. The Panel had before it a report from the Head of Finance which advised of the outcome of the de-risking tender exercise for the Aberdeen City Council Transport Fund.

The Pensions Manager introduced the report and provided an overview of the outcome of the tender exercise.

The Panel Resolved:

To approve the making of an investment management agreement in respect of a long term de-risking strategy for the Aberdeen City Transport Fund.

COUNCILLOR B CROCKETT - Convenor

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NORTH EAST SCOTLAND PENSION FUND

JOINT INVESTMENT ADVISORY COMMITTEE

ABERDEEN, 28th August and 29th August 2014 – Minute of Meeting of the **JOINT INVESTMENT ADVISORY COMMITTEE**.

Present Councillor B Crockett, Convener, Councillor Richard Cowling, Vice Convener, Councillor S Lonchay, Councillor A Malone, Cllr J Reynolds, Mr M McCall, Mr M Middleton and Mr A Williams.

In Attendance Ms L Goodchild, Pensions Manager, Ms C Mann, Pensions Officer (investments), Mr J Belford, Corporate Accounting Manager (28th August 2014 only), Ms J Hope, Pensions Adviser (29th August 2014 only), Ms D Sim, External Audit, and Ms F Smith, Policy & Advice Officer.

APOLOGIES FOR ABSENCE

1. Apologies for absence were received from Cllr Bews, Cllr Coull, Cllr Leadbitter and Mr Scott.

THURSDAY 28TH AUGUST 2014

DECLARATIONS OF INTEREST

2. There were no declarations of interest made.

MINUTE OF PREVIOUS MEETING – 30TH MAY 2014

3. The minute of the previous meeting held on 30th May 2014 was approved as a correct record.

The Committee Resolved:

To approve the minute.

MINUTES OF THE PENSIONS PANEL MEETINGS DATED 10TH MARCH 2014

4. The Committee noted for information the minutes of the Pension Panel meeting held on 10th March 2014.

The Committee Resolved

To note the minutes.

CORPORATE GOVERNANCE REPORT

5. The Committee had before it a report from the Chief Accountant which reviewed the Pensions Fund Corporate Governance and Social Responsible Investment activity for the three month period ending 30th June 2014.

The Pensions Officer (Investments) introduced the report and summarised the contents of it. The report provided an overview of voting over the past quarter where the fund has participated in votes at 148 meetings. The most contentious areas voted on included remuneration reports, annual reports and auditor appointments. The report further gave an overview of the current business of the Local Authority Pension Fund Forum (LAPFF). Finally the report provided detail on investment statement to which the Fund has added its name during the quarter to June 2014, including a statement on Investment in Bangladesh and a letter to the US Securities and Exchange Commission from the Forum for Sustainable and Responsible Investment.

The Committee Resolved:

To note the report.

EXEMPT INFORMATION

Prior to considering the remaining items of business the Board resolved that in terms of Section 50A (4) of the Local Government (Scotland) Act 1973 that the public be excluded from the meeting during the consideration on the items on the grounds that it was likely in view of the nature of proceedings that if members of the public were present during the consideration of these items that there would be a disclosure to them of exempt information as defined in paragraph 6 of part 1 of Schedule 7A of the said Act.

FUND PERFORMANCE REPORT

6. The Committee had before it a report which provided a review of the investment activity of both the North East Scotland Pension and Transport funds for the three month period ending 30th June 2014.

The Pensions Manager introduced the report and provided an overview of the contents of it. There followed an opportunity for discussion on the contents by Committee members.

The Committee Resolved:

To note the report.

INVESTMENT STRATEGY UPDATE

7. The Committee had before is a report from the Chief Accountant which provided an update on the Fund's Investment Strategy and proposed actions to secure the funds benchmark allocation.

The Pensions Manager introduced the report and provided an overview on the contents of it. There followed an opportunity for discussion on the contents by Committee members.

The Committee Resolved:

- To approve an additional commitment of £20m to SL Capital.
- To defer consideration of the disposal and write down of the In-house fund to the next Committee meeting but to meantime delegate authority to the Head of Finance and Pensions Manager, following consultation with the Convener, to approve any disposals on the in-house fund which are deemed to be beneficial to the Fund.
- To approve an allocation to the Diversified Growth Fund to achieve full benchmark allocation for alternative investments.
- To approve the continued due diligence for Foreign Exchange solutions
- To agree to tender for a Global Custodian.

BAILLIE GIFFORD

8. Ms L Dewar and Mr A Tait from Baillie Gifford were present at the meeting for this item and provided an overview to the Committee on the mandate they hold on behalf of the Fund.

The Committee Resolved:

To note the presentation.

BARINGS

9. Mr A Wilde and Mr B Corris from Barings were present at the meeting for this item and provided an overview to the Committee on the mandate they hold on behalf of the Fund.

The Committee Resolved:

To note the presentation.

ABERDEEN PROPERTY INVESTORS

12. Mr A Rogers and Mr M Dinsdale, Aberdeen Property Investors were present at the meeting of this item and provided an overview to the Committee on the mandate they hold on behalf of the Fund.

The Committee Resolved:

To note the presentation.

ABERDEEN ASSET MANAGERS (GLOBAL EX UK)

16. Mr M Dinsdale, Mr S Methven, and Mr M Gordon James from Aberdeen Asset Managers were present at the meeting for this item and provided an overview to the Committee on the Global ex UK mandate they hold on behalf of the Fund

The Committee Resolved:

To note the presentation.

FRIDAY 29TH AUGUST 2014

COMMITTEE REPORTING

12. The Committee received a presentation from officers in respect to the introduction of electronic distribution of meeting papers. It was noted that Officers are currently exploring options for ensuring the security of information and, as yet, do not have a firm date for introduction.

Following discussion, the Committee agreed in principle the introduction of electronic papers and noted that officers will revert in due course with further details of this initiative.

The Committee Resolved:

- To agree, in principle, the introduction of electronic distribution of Committee papers.
- To note that officers will revert in due course with further details of this initiative.

TRAINING

13. The Pensions Adviser delivered a training session to Members on the North East Scotland Pension Fund Investment Strategy.

The Committee Resolved:

To note the training provided.

MAVERN – SCOTTISH LOAN FUND

14. Mr A Craig from Mavern was present at the meeting for this item and provided an overview to the Committee on the Scottish Loan Fund.

The Committee Resolved:

To note the presentation.

BLACKROCK

15. Mr J Edwards and Mr I Sattar from Blackrock was present at the meeting for this item and provided an overview to the Committee on the mandate they hold on behalf of the Fund. .

The Committee Resolved:

To note the presentation.

COUNCILLOR B CROCKETT - Convenor

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North East Scotland Pension Funds

Annual Report on the 2013/14 audit

Prepared for the Members of Aberdeen City
Council's Pensions Committee and the
Controller of Audit

October 2014



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Key messages

Financial statements

- Unqualified auditor's report on the 2013/14 financial statements of the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.

Financial position

- The main fund was 88% funded at the last actuarial valuation.
- Fund growth is largely generated by investment returns, with only £2m arising from members' net contributions.
- The transport fund investment strategy has recently been changed to reflect that it is a maturing fund.

Governance & accountability

- Fund governance has been the responsibility of the administering authority. There will be change with the introduction of a Pensions Board required by regulations from April 2015 to assist the authority.
- These changes in the overall governance framework provide an opportunity to review fund scrutiny arrangements and to ensure there is sufficient accountability for the funds by the Pensions Committee to the administering authority.
- Systems of internal financial control operate effectively.

Best Value, use of resources & performance

- Positive investment return over 12 months for the main fund but slightly behind benchmark over a five-year period.
- Auto-enrolment boosted membership of the main fund as a higher number of staff than expected remained in the fund.

Outlook

- The initial results from the 2014 triennial actuarial review are due soon.
- New regulations effective from April 2015, will implement a new career average pension scheme which will have implications for employers' record keeping as well as those of the fund.

Financial Statements

1. We have given an unqualified audit opinion on the 2013/14 financial statements of North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.
2. While the main fund grew by £263m which is an increase of 10.2% in the year, only £1.8m arose from members' net contributions. The transport fund decreased in value by £0.9m in the year and is in a negative funding position. The cost of pensions and benefits exceeds income from contributions by around £1m each year.

Financial position

3. The main fund was in deficit at the 2011 valuation when its assets amounted to 88% of its future liabilities. An up-to-date actuarial valuation will be finalised by 31 March 2015.
4. A new strategy has been approved for the Transport Fund to reflect that the fund is closed to new members and is maturing in nature. With the number of pensioners exceeding active members, the strategy aims to reduce risk over time and provide assets to meet liabilities.

Governance and accountability

5. The pensions committee has recently replaced the pensions panel. This change will provide another opportunity to review membership against governance best practice. The statutory requirement for a pensions board from April 2015 and its interface with the pensions committee will need to be established and implemented.
6. The pensions panel was previously the body charged with governance in respect of the pension funds. With the wider changes in the governance framework, the opportunity should be taken to review the scrutiny arrangements for the pension funds and ensure that there is sufficient accountability for the funds to the administering authority.
7. In other respects the funds' governance arrangements are sound and supported by systems of internal control.

Best Value, use of resources and performance

8. Main fund performance is above benchmark for the 12 month period but over 5 years, it falls slightly below the benchmark.

Outlook

9. New regulations from 2015 will see the introduction of a new scheme based on career average revalued earnings. This will require significant changes in employers' and fund records.

Introduction

10. This report is a summary of our findings arising from the 2013/14 audit of the North East Scotland Pension Funds (NESPF). The purpose of the annual audit report is to summarise the auditor's opinions and conclusions, and to report any significant issues arising from the audit. The report is divided into sections which reflect our public sector audit model.
11. This report is addressed to the members of the Pensions Committee of Aberdeen City Council, as the administering authority of the funds, and the Controller of Audit and will be considered by the Pensions Committee on 24 November 2014. Reports should be made available to stakeholders and the public, as audit is an essential element of accountability and the process of public reporting.
12. This report will be published on our website after it has been considered by the administering authority. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits. The overview report is published and presented to the Local Government and Regeneration Committee of the Scottish Parliament.
13. The concept of audit risk is of key importance to the audit process. During the planning stage of our audit we identified a

number of key audit risks which involved the highest level of judgement and impact on the financial statements. We set out in our annual audit plan the related source of assurances and the audit work we proposed to undertake to secure appropriate levels of assurance. Appendix I sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

14. Appendix II is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response".
15. We recognise that not all risks can be eliminated or even minimised. What is important is that the North East Scotland Pension Funds understand their risks and have arrangements in place to manage these risks. The council, as administering authority, and the Proper Officer should ensure that they are satisfied with proposed management action and have a mechanism in place to assess progress and monitor outcomes.
16. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
17. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Financial statements

Combined dealings with employers and members - net income £0.8m

Contribution income £113.1m

Pension costs £112.3m

Combined returns on investments £261.8m

Net income from investments £46.3m

Capital growth £215.5m

Combined asset value increased 9.9%

Main Fund investments up 10.3%

Transport Fund investments down 1.1%

Combined net assets £2,913.4m

Increase in the year £262.7m

Audit opinion

18. We have given an unqualified opinion that the financial statements of NESPF for 2013/14 give a true and fair view of the financial transactions of the funds during the year and of the amount and disposition of their assets and liabilities.

Other information published with the financial statements

19. Auditors review and report on other information published with the financial statements, including the Explanatory Foreword, the Statement on the System of Internal Financial Control and the Governance Compliance Statement. We have nothing to

report in respect of these statements.

Legality

20. Through our planned audit work we consider the legality of the pension funds' financial transactions. This includes obtaining written assurances from the Proper Officer. There are no legality issues arising from our audit which require to be brought to the attention of those charged with governance.

Assets (Net Assets Statement) by £3.872m. A number of presentational amendments were also processed to improve the disclosures within the accounts.

23. Adjustments were not made for other misstatements identified during the audit. These misstatements are immaterial to the accounts as a whole. Had an adjustment been made, the net impact of the misstatements would have increased the Net Additions from Dealings with Members (in the Fund Account) and Net Assets by £0.355m.

Accounting issues arising

21. Our 'Report to those charged with governance on the 2013/14 audit', was presented to the Pensions Panel on 8 September 2014. The primary purpose of that report was to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report. The main items are summarised in the following paragraphs.

Investment management fees

24. Investment management expenses are included in the Fund Accounts with fuller information disclosed in a note to the accounts. At 31 March 2014, the main fund disclosed management fees of £10.4m compared with £5.3m the previous year. In line with an agreed action in our 2012/13 Annual Report, officers took action to identify private equity management fees which had previously been included in the value of the investments in the net asset statements and account for them in accordance with the Code of Practice on Local Authority Accounting in the UK (the Code).

Presentational and monetary adjustments

22. The unaudited accounts reflected private equity valuations carried out at 31 December 2013 and were considered the best estimates available to officers when preparing the annual accounts. Valuations at 31 March 2014 were received in June 2014 and were of sufficient difference to merit amending the accounts. The effect of the adjustments was to increase the Return on Investments (Fund Account) and Net Investment

25. In recognition of the fact that this is a complex area, CIPFA has issued further guidance, accounting for local authority pension scheme management costs, which is recommended practice from 2014/15. The guidance aims to provide a framework for consistent accounting in dealing with some of the common

areas of uncertainty e.g. performance related fees, pooled fund management fees and private equity and hedge funds.

26. During the audit of the financial statements, we identified a potential understatement in performance fees. A fee was likely to be payable to one of the fund manager's, Baillie Gifford, in respect of the 12 month period ended 30 September 2014, however as uncertainty remained until the performance period was complete, it was difficult to calculate a reasonable estimate at 31 March 2014. While a contingent liability was included in the audited accounts, this was an area which needed to be addressed to ensure the appropriate accruals are recognised at the year end. Arrangements have now been put in place to align the performance period with the financial year to enable earlier identification of reasonable estimates for performance fee accruals.

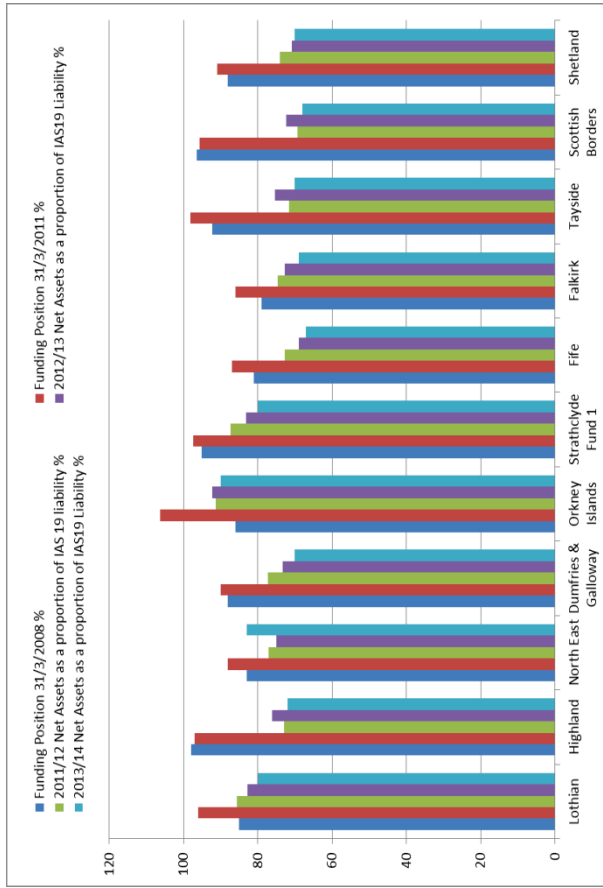
Pension fund liability

27. The actuarial value of promised retirement benefits in line with IAS 19 assumptions is £3,423m which represents a £12m reduction from the liability stated at 31 March 2013. This considers the long term view for the pension fund in meeting its future commitments having taken employers' contribution rates and revenues generated from investments into account. The deficit arising from this valuation does not require an immediate cash injection but is intended to be funded by increased contributions over the long term. The assumptions within the

IAS19 valuation are determined by the actuary. The main movement is the actuary's use of a discount rate of 4.5% at 31 March 2014 to reflect improvement in the markets. This is a higher discount rate than the previous year when the actuary used a rate of 4.2%. The use of a higher discount rate in the actuary's assumptions generally produces a lower pension liability.

28. This year, the actuary widened the definition of 'AA rated' bonds in the calculation used to derive the discount rate. Following the downgrade of the UK sovereign credit rating in 2013, the number of bonds within the actuary's model fell significantly. In order to improve the robustness of the dataset and with the aim of providing greater stability over time, the actuary widened the definition of 'AA rated' bonds in the calculation used to derive the discount rate. The discount rate reflects the pension fund's tolerance of risk and with the change in the number of bonds used in the calculation, we noted an increase this year from 4.2% to 4.5%. This places the North East Fund in a different position to other Scottish funds in that it is the only fund showing a decrease in the IAS19 liability at 31 March 2014 (Exhibit 1).

Exhibit 1 – Funding Position



Source:

Impairment losses

29. At 31 March 2014, the accounts continued to include a provision for the potential non-collection of £2.6m from a former admitted body of the pension fund. The debt has been the subject of a longstanding dispute between the pension fund and the admitted body. In June 2013, after little progress, the matter was referred to the council's external legal advisors. In June 2014, formal legal action was postponed when the admitted body authorised its auditors to share financial

information with council officers with a view to reaching settlement.

30. While progress has been made during 2013/14 in bringing this longstanding matter to a conclusion, we had anticipated that it would have been resolved before the financial statements audit was concluded in September 2014. Officers have however advised us that agreement has been reached on the matter and both parties concerned are working towards a favourable outcome.

Refer Recommendation 1

Outlook

31. The financial statements of NESPF are prepared in accordance with the Code. The main new standards adopted in 2014/15 include:

- IFRS 13 Fair Value Measurement
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009-2011 cycle.

32. The revised Local Authority Accounts (Scotland) Regulations apply for financial years 2014/15 onwards. The regulations set out in detail what is required in respect of financial management, internal control, and the annual accounts themselves. The existing timetable for the NESPF in terms of members' consideration of draft and audited accounts largely already meets the timescales specified in the new regulations.

Financial statements

33. The regulations require pension funds to have a governance compliance statement. From 2014/15, the Code requires inclusion of a statement on the system of internal financial control. The new accounts regulations recommend that only one governance statement is published within the pension fund annual report and accounts but that it satisfies the requirements of both sets of regulations.
34. While the 2013/14 draft accounts were submitted to the pensions panel on 16 June, it was some three weeks later before the working paper package was submitted for audit. As we had planned to commence the audit on 9 June, the delay significantly impacted on our workplan and required a reallocation of resources to ensure delivery of our audit plan.
35. The additional time was required by officers to rectify errors in the year end position provided by the custodian in relation to private equity transactions. This problem had been ongoing for some time and plans are in place to review the service provider.

Financial position

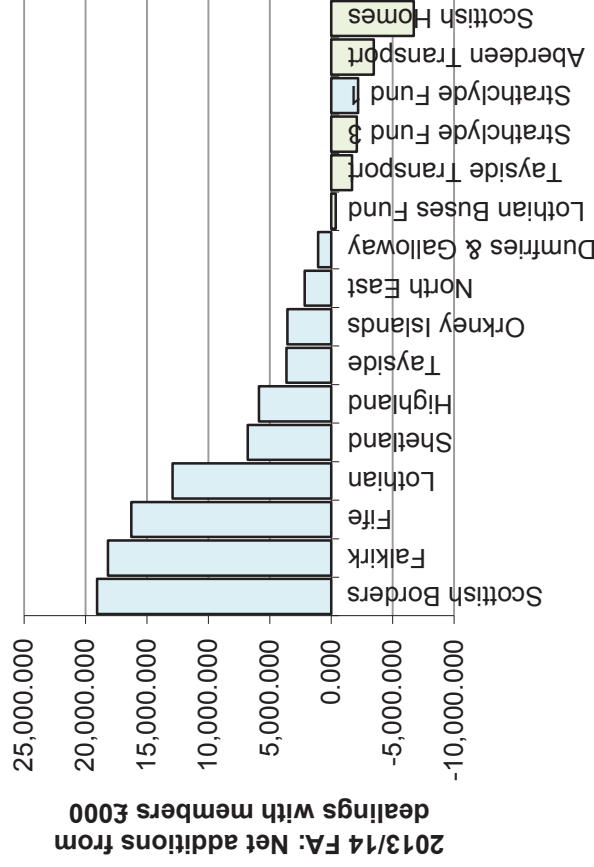
- 36. NESPF consists of two funds, the North East Scotland Pension Fund (the main fund) and the Aberdeen City Council Transport Fund (the transport fund).
- 37. Although both funds benefit from shared governance and administrative arrangements, their assets and liabilities are accounted for separately. The main fund provides pensions for a number of employer organisations and has more than 22,000 active members. The transport fund, which is closed to new members, has only 85 active members and more than 400 pensioners. Both funds are part of the Local Government Pension Scheme.

Main fund

- 38. The net assets of the main fund grew by £263.6m to £2,834m, which is an increase of 10.2% in the year. While only £1.8m of this came from dealings with members, this is a better position than the previous year as a result of the positive impact of the implementation of auto-enrolment in 2013/14 by the larger employers in the fund. (Exhibit 2)
- 39. Introduced by the Pensions Act 2011, auto-enrolment, requires employers to enrol their workers into 'a qualifying workplace scheme' by prescribed staging dates. Take-up and retention

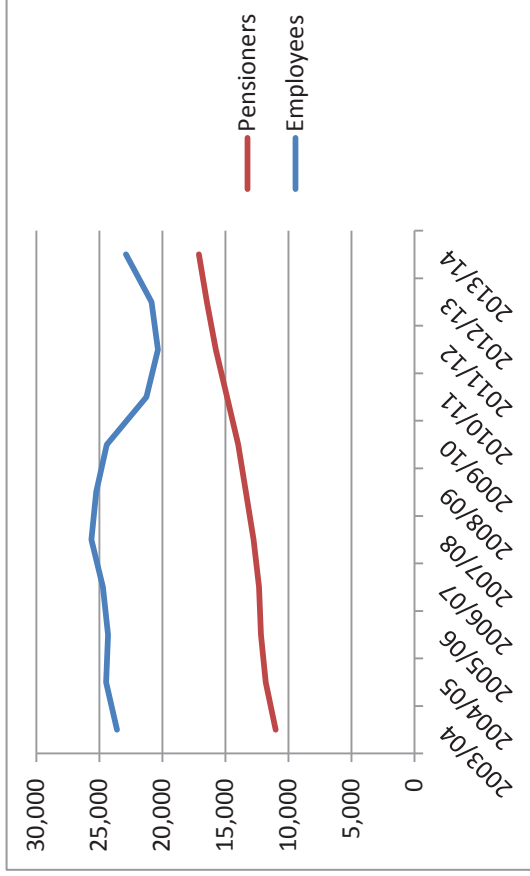
of auto-enrolled members in NESPF was greater than expected, leading to a positive boost to membership this year (Exhibit 3). The staging dates of smaller employers fall in future years, though the impact is unlikely to be as significant.

Exhibit 2 – Net Additions from dealing with Members



Source: Technical Services Unit Pension Fund Database

Exhibit 3: Main fund: trends in membership



Source: NESPF financial statements

40. The growth in market value of the fund was 10.4%. This compares well with the benchmark of 9.0% over one year. Over the longer term five year period, growth of 13.9% was achieved but this remains a fraction behind the benchmark of 14.1%.

41. While the growth of investment assets is encouraging, the overall funding position is such that the scheme's assets do not cover its liabilities and if the fund was wound up immediately, employers would be left with an estimated funding gap of around £589m. (Exhibit 4).

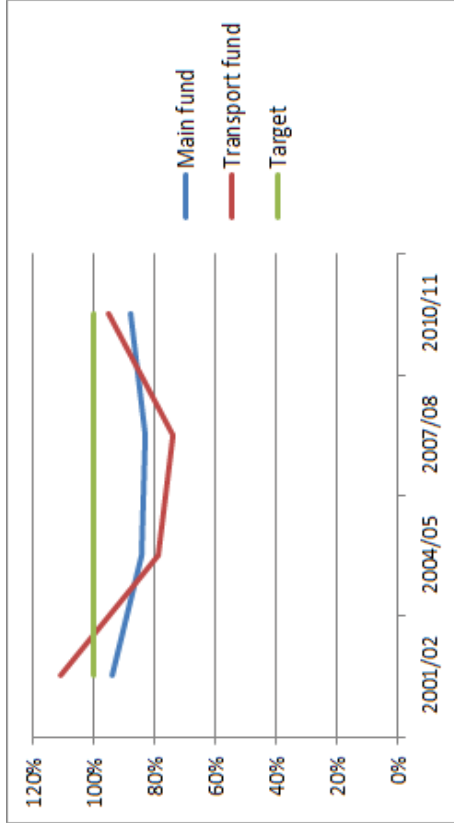
Exhibit 4: Snapshot of assets and liabilities

North East Scotland Pension Fund			
	2011	2013	2014
	Valuation	Roll-forward estimate	Roll-forward estimate
	£m	£m	£m
Assets	2,218	2,568	2,834
Liabilities	2,512	3,489	3,423
Net surplus/(liability)	(294)	(865)	(589)
Funding Level	88%	75%	83%

Source: NESPF financial statements

42. The fund is however considered to be a going concern, with its funding position calculated every three years by an actuary. The last full valuation in 2011 showed that the fund's assets amounted to 88% of the fund's liabilities (Exhibits 4 and 5) and the current funding gap is currently being assessed by the actuary as part of the March 2014 actuarial valuation.

Exhibit 5: Actuarial funding level of the two funds



Source: Actuarial valuation reports

Transport fund

43. The net assets of the transport fund fell by £0.9m (1.1%) but remain at around £80m. The fund has been in a deficit funding position for several years in that the annual cost of pensions and benefits is around £1.0m more than contributions received from members. Exhibit 6 shows the position from the actuary's perspective.

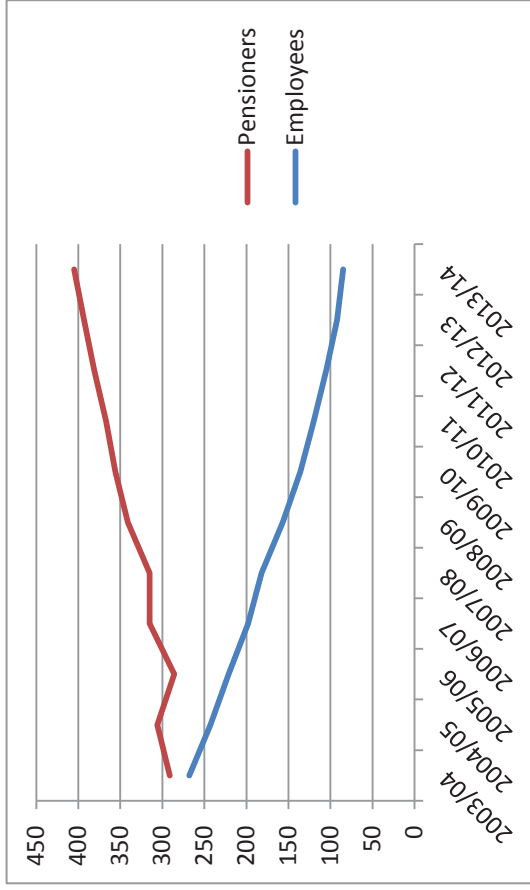
Exhibit 6: Snapshot of assets and liabilities

Transport Fund			
	2011 Valuation £m	2013 Roll-forward estimate £m	2014 Roll-forward estimate £m
Assets	67.9	80.3	79.5
Liabilities	71.5	88.2	85.2
Net surplus/(liability)	(3.6)	(7.9)	(5.7)
Funding Level	95%	91%	93%

Source: NESPF financial statements

44. The membership profile of the transport fund is shown in Exhibit 7. As the fund is closed, the proportion of active employees is falling each year and is now 13% of the membership. The proportion of bonds in the fund's portfolio at 32% reflects the need for increasing certainty over asset values as the fund matures.

Exhibit 7: Transport fund: trends in membership



Source: NESPF financial statements

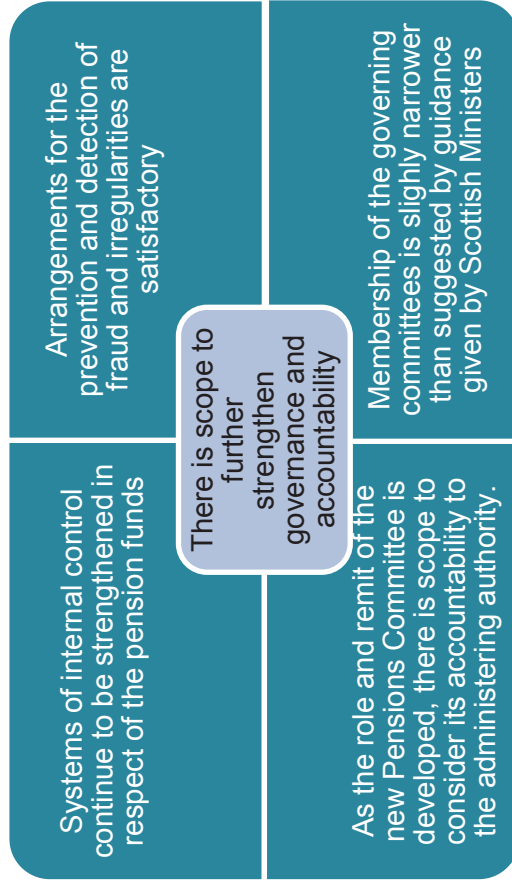
46. Due to the closed and maturing nature of the transport fund, a strategy will shortly be implemented which is aimed at reducing risk over time and providing assets to match the fund's liabilities.

47. The 2014 actuarial valuation is currently being carried out by the actuary with an initial valuation and indication of the likely impact on employers' contributions rates due in December 2014.

Outlook

45. Both funds have an increasing number of pensioners and people are generally living longer. The proportion of active members in the main fund is now 40%, down from 56% ten years ago. This is a contributor to funding pressures as payment of pensions consume the income from contributions, reducing the surplus for investment.

Governance and accountability



Corporate governance

49. The corporate governance framework of the NESPF is determined by the council, as administering authority. The council has delegated responsibility for pension fund matters to the Pensions Panel. For 2013/14, the panel consisted of five elected members, an increase of one from the previous year. From October 2014, as part of a wider review of the council's committees, arrangements have been strengthened by the introduction of a Pension Committee with a membership of nine to replace the Pensions Panel.
50. In 2013/14, the Joint Investment Advisory Committee (JIAC) included the members of the Pensions Panel together with ten others drawn from member organisations and including trade union representation. The JIAC evaluates and advises on fund manager appointments and performance.
51. We have previously commented on the absence of formal reporting between JIAC and the pension panel. During 2013/14, we noted that an Investment and Accounting report was presented to each meeting of the Panel which provided a summary of investment issues. While this demonstrates regular reporting of investment matters to the Pensions Panel, it does not provide explicit assurances or recommendations about the JIAC's view of fund manager performance. Our concern is a lack of evidence of accountability. If a significant

48. Members of Aberdeen City Council as administering authority, and the Head of Finance are responsible for establishing arrangements for ensuring the proper conduct of the affairs of the NESPF and for monitoring the adequacy and effectiveness of these arrangements.

under performance issue were to arise, we feel that exiting minutes and supporting papers would not provide a sufficient audit trail to demonstrate concerns raised by the committee and decisions taken along the way.

52. Furthermore, we note that Local Government Pension Scheme Governance guidance describes that all key stakeholders should have an opportunity to be represented within the committee structure, with equal access to papers. The remit of the JIAC is restricted to investment matters and therefore oversight of other areas of administrative performance and the funding position is carried out entirely by the administering authority.

53. The best practice principles in the guidance also encourages the governing committees to include within their representation: employing authorities (as is the case), scheme members (including deferred and pensioner members), independent professional observers and expert advisors. Voting rights may be determined by individual authorities, but should be clear and transparent and include the justification for not extending voting rights to each body or group represented.

54. From 1 April 2015, the Local Government Pension Scheme (Scotland) Regulations 2014 introduces new arrangements for scheme governance. A key change is the creation of a new Pensions Board which will sit alongside the existing Committee functions of the administering authority. The board will:

- be responsible for assisting the administering authority in relation to compliance with scheme regulations and the requirements of the Pensions Regulator
- consist of equal numbers of scheme employer representatives and trade unions (4 from each side)

55. The Scottish Public Pensions Agency (SPPA) issued draft regulations for consultation on 30 September 2014, with a closing date of 11 November 2014. While administering authorities have been working from the Heads of Agreement ahead of draft regulations, there is limited time available for pension funds to set up new boards to meet the required timetable.

56. The introduction of local pension boards marks a sea change in the governance of LGPS funds. In recognition of these developments, Aberdeen City Council's new pension committee is continuing with the remit of the former pensions panel but this will be kept under review as the new arrangements evolve and these are likely to gather pace in the next few months.

57. This complete change in governance provides an opportunity for the funds to review the operation of the committee and the JIAC and to consider extending membership to fund members and other stakeholders.

Refer Recommendation 2

Accountability

58. When the requirement for a separate audit opinion was introduced, we supported a change in the body charged with governance in respect of the pension funds. It made sense that governance and financial matters would be discussed by the pensions panel. The role of the panel is to set the policy framework for the funds and to oversee and monitor investment management having considered the recommendations of the JIAC. However, as there is common membership between the panel and JIAC, this governance model is not as robust as it could be. In order to separate scrutiny from decision making, and given the other governance changes taking place within the LGPS, it is timely to consider the robustness of the challenge role.
59. In common with service committees, a pensions committee should fit within a council's governance and accountability arrangements and be able to demonstrate good governance across activities. Options for improved accountability might include regular reporting to full council or for the Audit, Risk and Scrutiny Committee (ARSC) to take an additional oversight role of pension activities on behalf of the administering authority. Existing reports would continue to be considered by the pensions committee but in addition, full council or ARSC would receive additional reports in their scrutiny role.

Refer Recommendation 2

Internal control

60. The funds' financial systems are provided by the administering authority. We were able to take assurance from our audit of the council that high level financial controls that impact on the pension funds' financial statements operated effectively during the year.
61. We also reviewed controls relating to the pension investment and administration transaction systems. Our overall conclusion was that the NESPF had appropriate systems of internal control in place in 2013/14.

Internal audit

62. Internal audit provides Members and the Proper Officer with independent assurance on the overall risk management, internal control and corporate governance processes for the funds. Relevant internal audit plans and reports were presented direct to the pensions panel for the first time during 2013/14. Positive assurances were reported to the panel in respect of internal audits on the pension payroll and pension fund financial controls.
63. Generally, we seek to rely on the work of internal audit wherever possible and, as part of our 2013/14 planning process, we concluded that the internal audit service operates

in accordance with relevant Public Sector Internal Audit Standards (PSIAS) which enables us to take assurance from their documentation and reporting procedures.

64. From 2014/15, the new accounts regulations require the Pension Committee to undertake an annual review of the internal audit function as it relates to pension fund matters.

Arrangements for the prevention and detection of fraud

65. The pension funds complied with the relevant fraud and irregularity policies of Aberdeen City Council during 2013/14. Following a review of the council's arrangements, there are no matters we need to draw to members' attention.
66. The NESPF participates in the National Fraud Initiative (NFI) as part of the council wide exercise. The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems to identify data matches that might indicate the existence of fraud or error. Overall, we concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

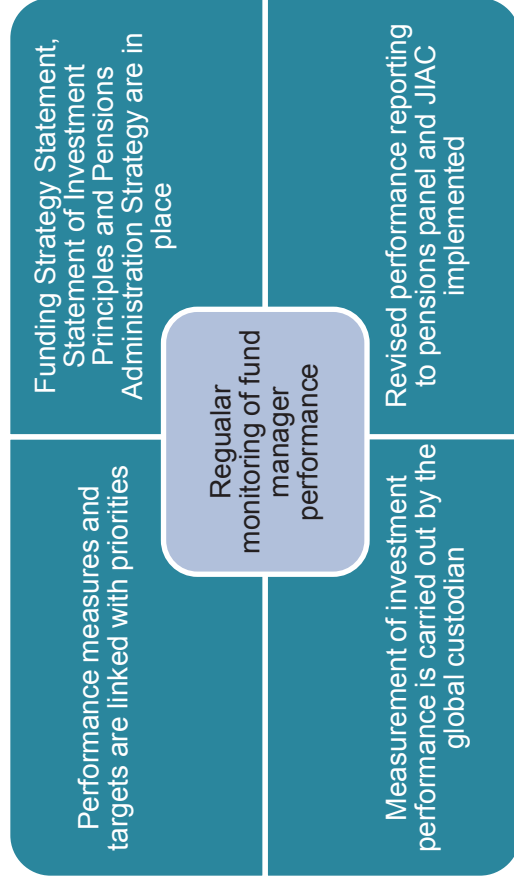
Arrangements for maintaining standards of conduct and the prevention and detection of corruption

67. The arrangements for the prevention and detection of corruption in the NESPF are satisfactory and we are not aware of any specific issues that we need to record in this report.

Outlook

68. The Local Government Pension Scheme (Scotland) Regulations 2014 apply from 1 April 2015. These introduce a new pension scheme which replaces the current LGPS as constituted by the Local Government Pension Scheme (Scotland) Regulations 2008 (as amended), "the 2008 Scheme".
69. In contrast to the 2008 Scheme, which was a final salary pension scheme in which unreduced benefits were payable to members from the age of 65, the new scheme provides for members to accrue pension on a career average revalued earnings basis and for unreduced benefits to be payable from their state pension age.
70. The Pensions Panel has considered reports on the implications of the new regulations and the fund is well prepared having published information about the 2015 Scheme in a new section of the NESPF website, and provided training for employers on the new scheme and the information they need to provide.

Best value, use of resources and performance



quality of service is being delivered and what they can expect in the future.

- 72. The NESPF has a Pensions Administration Strategy which includes targets for the measurement of performance. From April 2014, workflow systems have been used to report performance with a summary presented quarterly to the Pensions Panel.
- 73. The fund also has a Funding Strategy Statement which is supported by the Statement of Investment Principles and the Investment Policy. These documents link investment strategy to long term funding needs and define performance criteria.

Investment performance

- 74. Nine external fund managers provide quarterly updates on their performance, and these are summarised for presentation to committee. A variety of benchmarks are used depending on the mandate, and an overall composite benchmark is calculated by the global custodian.
- 75. Performance against benchmark targets is regularly reported to the Pensions Panel and JIAC. Exhibits 8 and 9 show the one, three and five year results against benchmark for NESPF and the Transport Fund.

- 71. Administering authorities have a specific responsibility to ensure arrangements have been made to deliver best value in the services they provide. This requires continuous improvement while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability. There is also the duty to report performance publicly so that local people and other stakeholders know what

Exhibit 8: Investment performance – main fund

	Year 1	Year 3	Year 5
Main fund	10.39	9.97	13.91
Benchmark	9.06	8.49	14.13

Source: NESPF financial statements

76. The growth in market value of the fund was 10.4%. This compares well with the benchmark of 9.0% over one year, but over the 5 years, growth was 13.9% which is behind the benchmark of 14.1%.

77. The transport fund is maintaining a positive position in the longer terms but is falling behind benchmark in the shorter term. The aim of the new strategy is to turn this position around.

Exhibit 9: Investment performance – transport fund

	Year 1	Year 3	Year 5
Transport fund	0.13	6.94	13.21
Benchmark	3.13	8.06	12.72

Source: NESPF Financial Statements

Appendix I – Significant audit risks

The table below sets out the key audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance Procedure
<p>Employer contributions</p> <p>The main pension fund includes a number of scheduled and admitted bodies, each contributing to the pension fund on a monthly basis. Effective data verification and monitoring arrangements require to be in place.</p> <p><i>Risk: employers have not correctly deducted contributions from staff and therefore the data held on the funds' systems is inaccurate or incomplete.</i></p>	<p>Pension fund officers carry out monthly reasonableness checks on employers' contributions and timeliness of payments made to the funds. On an annual basis, assurance is requested from key employers and in addition, from January 2013 Employer Services required employers to provide up-to-date employee information via the internet e.g. notification of starters, leavers and amendments. Both employer services and i-connect are available to employers for the processing of starters, leavers and other amendments. However, i-connect is geared more toward multiple event processing and is used by the larger employers in the fund.</p> <p>As part of the audit process, employee and employer contributions are verified for a sample of employees across a sample of employers. At the year end, reconciliations between the different systems are carried out by pension fund officers and verified as part of the audit process.</p> <p>Covenants are held in respect of admitted bodies to safeguard against any impact on the funds if small bodies experiencing financial difficulties can no longer afford their contributions. Where an admitted body does not have sponsor, the fund requires bodies to have contingency plans in place.</p>

Appendix I – Significant audit risks

Audit Risk	Assurance Procedure
<p>Impairment losses</p> <p>A significant debt in respect of a termination agreement due from a former admitted body has been the centre of a dispute for some time. This matter needs to be effectively concluded.</p> <p><i>Risk: the fund is not effectively managing collection of outstanding debt.</i></p>	<p>Assurances were provided by the Head of Finance that the debt would be pursued. The council's external legal advisers to the council reviewed the case and entered into discussions with representatives for the former admitted body. The case is progressing through a legal process and it is expected that a favourable outcome will be reached.</p> <p>Refer page 9</p>
<p>Investment management fees</p> <p>Investment management fees in respect of private equity investments are reflected in the valuation of investments. The Code requires that management fees are separately accounted for.</p> <p><i>Risk: the fund is not complying with the Code.</i></p>	<p>Fund manager statements were reviewed to identify fees which had formed part of investment values and those which could be easily identified have been disclosed within investment management fees.</p> <p>Refer pages 7 and 8</p>
<p>Scrutiny</p> <p>Membership of the pensions panel has increased from 4 to 5 and a training plan exists to support members. The JIAC is responsible for the scrutiny of investment performance but reporting arrangements from the committee to the panel need to be strengthened.</p> <p><i>Risk: given the complexity and nature of investments, there may be insufficient capacity for robust scrutiny.</i></p>	<p>While it was agreed there would be clearer assurances from the JIAC to the Pensions Panel, in our view there is more to do.</p> <p>Refer pages 15 to 17</p>

Appendix I – Significant audit risks

Assurance Procedure	
<p>Audit Risk</p> <p>Internal management</p> <p>The pensions section organisational structure needs to be reviewed to ensure it is fit for purpose and meets the needs of the administering authority. In particular, action is required to ensure there is sufficient capacity and responsibility at senior level to act for the long term benefit of the funds.</p> <p><i>Risk: the long term governance of the fund is weakened by uncertain management arrangements.</i></p>	<p>A revised structure had been prepared which was going to be benchmarked with NAPF before finalisation and implementation. However, this plan has been overtaken by events within Aberdeen City Council. A management restructuring commenced in March 2014. Stage 3 is now in process for staff below heads of service and as part of this process, the structure of the pensions fund section will be considered.</p>
<p>Investment performance</p> <p>Investment performance has been below the benchmark.</p> <p><i>Risk: in the longer term, poor returns may not provide sufficient funds to meet pension payments. In the shorter term, there may be increased demands on fund employers through additional contributions.</i></p>	<p>The governance framework includes the following comprehensive documentation:</p> <ul style="list-style-type: none"> • Statement of Investment Principles • Funding Strategy Statement • Presentations and feedback from fund managers • Regular performance reports • Performance measured on a rolling 3 or 5 year basis. • Action taken by JIAC and Pensions Panel. <p>These were reviewed during the year to collate assurances on the work being undertaken by officers and members.</p> <p>Refer pages 19 and 20</p>

Appendix II– Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
1/9	<p>A significant debt in respect of a termination agreement due from a former admitted body has been the centre of a dispute for some time.</p> <p>Risk: the Fund is not effectively managing collection of outstanding debt.</p> <p>Recommendation: This matter needs to be effectively concluded.</p>	<p>Representatives for both the pension fund and the admitted body are working to achieve a favourable outcome.</p>	<p>Head of Finance</p>	<p>31 March 2015</p>

Appendix II – Action plan

Action plan point/page	Issue, risk and recommendation	Management action/response	Responsible officer	Target date
2/ 16-17	<p>With the significant changes taking place around the governance of pension funds, it is timely to consider the effectiveness of the scrutiny and accountability roles in relation to the North East funds including the operation and membership of JIAC. With common membership of the panel and JIAC, the model is perhaps not as robust as it should be. In terms of accountability to the administering authority, there is perhaps an oversight role for the Audit, Risk & Scrutiny Committee.</p> <p>Risk: there is insufficient accountability and scrutiny on the administration and performance of the funds.</p> <p>Recommendation: With the implementation of the new Pensions Committee, there is a timely opportunity for the administering authority to review the adequacy of the scrutiny and accountability arrangements it has in place including the operation and membership of JIAC.</p>	<p>An options paper for the future remit, membership and operation of JIAC will be considered by the Pensions Committee in November 2014.</p> <p>As the arrangements for the Pensions Board evolve, the remit and operation of the Pension Committee will be reviewed, as appropriate.</p>	Pensions Manager	Options Paper – November 2014 Implementation of approved option – by 31 March 2015

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ABERDEEN CITY COUNCIL

COMMITTEE:	PENSIONS COMMITTEE
DATE:	24 NOVEMBER 2014
REPORT BY:	HEAD OF FINANCE
TITLE OF REPORT:	NEW LOCAL GOVERNMENT PENSIONS SCHEME (SCOTLAND)(2015)
REPORT NUMBER:	PC/NOV14/LGPS

1. PURPOSE OF REPORT

A report was presented to the November 2013 meeting of the Pensions Committee setting out the key features of the New Local Government Pension Scheme (Scotland) 2015 and outlining the work to be undertaken by the Pension Fund Section in creating a project plan to meet the implementation deadline date of 1 April 2015. This report provides an update on the progress in implementing the new scheme.

2. RECOMMENDATION(S)

It is recommended that the Committee note this report.

3. FINANCIAL IMPLICATIONS

All costs related to the introduction of the new scheme will be met either by the Pension Fund or, employers within the Fund, if they are required by legislation to do so.

Project management, compliance and risk, communications, training, technical support will all be met from with NESPF existing budget, with additional costs monitored.

4. OTHER IMPLICATIONS

None

5. NEW LOCAL GOVERNMENT PENSION SCHEME (SCOTLAND) 2015

5.1 Background

The reform of the Local Government Pension Scheme (LGPS) in Scotland, as with all the main public sector pension schemes, follows Lord Hutton of Furness' report of March 2011 and the resulting Public Service Pensions Act 2013.

The Scottish Local Government Pensions Advisory Group (SLOGPAG) has been appointed to deliver on the content and operation of a new Local Government Pension Scheme (LGPS) 2015 for Scotland.

The primary aim of SLOGPAG is to facilitate the delivery of a scheme that takes a balanced consideration of the unique Scottish position, which continues to provide valued benefits for scheme members, and is affordable, sustainable and fair to employers, scheme members and tax payers.

Consequently, the high level objectives for the reform of the LGPS are set as follows:

- To ensure the sustainability of the scheme, the design of the new scheme should be such that existing members remain in the scheme and non-members are encouraged to join
- Levels of contribution rates which ensure protection of the lowest paid within the workforce
- Provide quality benefits to scheme members.

The new LGPS (Scotland) will take effect from 1 April 2015 replacing the existing scheme from that date.

As the new scheme commences all existing scheme members and new entrants will become members of the new LGPS (Scotland).

The scheme design provides for a reformed scheme, which meets the legislative requirements of the Public Service Pensions Act 2013 (the Act), and delivers a scheme which is fair and valued by all scheme members – full time and part time workers; managers, administrators and manual workers; and long and short serving employees alike. The new scheme represents a fair deal for Local Government workers, employers and for the taxpayer, ensuring that the scheme remains both affordable and sustainable.

5.2 Heads of Agreement

5.2.1 The Heads of Agreement on the LGPS (Scotland) 2015 were signed and published on 12th December 2013, with the final regulations laid before the Scottish Parliament on 9 June 2014.

5.2.2 Headline Features of the new scheme include:

- Change to Career Average Revaluation - this change reflects a requirement within the PSP Act. This type of scheme is particularly beneficial for lower paid members, individuals for whom promotion opportunities are limited or those where their earnings may reduce towards the end of their career.
- Change in the accrual rate from 1/60th to 1/49th
- Retention of the 5 point tiered employee contribution rate, which is 'banded'. This provides for fairer contribution rates for scheme members at the lower end of the pay scale. As contributions benefit from tax relief, a tiered arrangement of contributions, where scheme members pay a proportion of earnings up to each limit and then higher contributions on earnings above each limit, also improves the perceived fairness of contributions at different salary levels.
- Lump sum death in service benefit remains at three times pay
- Pensions for partners who cohabit and civil partners equal to those benefits afforded to married couples.
- Retention of the ill-health pension provisions through a two-tier benefit scheme, with a third tier provided by a discretionary employer lump sum payment to operate alongside the scheme.
- The 50:50 Option – this is a new scheme design feature which allows employees eligible for LGPS membership or scheme members to elect to pay 50% of normal contributions, and in return accrue only 50% of their pension during that time. Benefits such as death in service lump sum would still be retained. This feature is not designed to replace long term membership of the full scheme.
- The scheme has been designed to help ensure it is both fair and affordable into the future. The Act also requires that costs are managed through a cost control mechanism which requires the scheme to set a cap, the 'employer cost cap'. This cap is used when measuring changes in the cost of the scheme as assessed at

valuations and will ensure that action is taken if the cost of the scheme increases or decreases outside of the margins set around the 'employer cost cap'.

An 'at a glance' guide to the features of the proposals post 2015 LGPS is available on the Pension Fund website www.nespf.org.uk with further information available at <http://www.scotlgps2015.org>.

5.3 New Scheme Implementation Project

Implementation of the new scheme is a major project undertaking for the Pension Fund section and as such work commenced on the project planning to meet the delivery deadline of 1 April 2015 in late 2013.

Project initiation document and a project plan have been approved and are being implemented by the Pensions Section with regular reporting to the Head of Finance and the Pensions Committee.

The key objectives of the project plan are:

- To ensure the effective implementation of the new LGPS on 1 April 2015
- Identify our key stakeholders and work with them to ensure that their individual needs are met for the delivery of the new scheme
- Identify and communicate the key features of the new LGPS
- Develop a training programme that supports both internal and external needs
- Have the technical capability in place to deliver the new scheme through partnership with our software provider Heywood's
- Ensure that all key documentation is revised and issued to our stakeholders
- Fully liaise with SLOGPAG to ensure full engagement in the consultation and follow-through in implementing the new scheme
- Fully liaise with our Scottish counterparts through the Scottish Pensions Liaison Group and Scottish Pensions and Governance Group to ensure a consistent approach to implementation
- Take advantage of any lessons learned through liaison with our English and Welsh counterparts as their new scheme was effective from April 2014
- Report regularly to the Pensions Committee of Aberdeen City Council

5.4 Project Plan Update

5.4.1 The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014, following the consultation period which ended on 7th August 2014, were published on the 27th August 2014.

The Regulations provide for the preserved transitional protection for certain groups and to ensure that active members within 10 years of their Normal Pension Age under the 2009 Scheme on 1 April 2012 are able to draw benefits which are no less than they would have been able to draw under the 2009 Scheme.

5.4.2 Two training sessions were recently held:-

- The Local Government Association (LGA) held an Employer training session on 23rd September 2014 at the Copthorne Hotel, Aberdeen. This session was open to all LGPS (Scotland) Employers and 3 NESPF staff members attended.
- NESPF also held an Employer training session on 23rd October 2014 at the AECC. Each Employer was offered two spaces on the course with a recommendation that a representative from both Payroll and HR attend. In total 59 Employer delegates attended the training, representing 32 different Employers. In addition to the Employer delegates, 14 pension staff also attended the session.

Attendee feedback has been very positive with requests from several employers for further staff training.

5.4.3 Further training sessions are due to take place:-

- The official LGE practitioner training will be held in Edinburgh on the 20th and 27th January 2015. In-house training session for NESPF staff has been requested with a date to be confirmed.
- Individual Employer training is to take place from December 2014 and will be delivered by the Employer Relationship Team.

5.4.4 Ongoing project work

- Annual Benefit Statements were issued at the end of September 2014 and included information on protections for existing members, change to Normal Pension Age and examples of benefits calculations under the new Scheme
- A national website on the new Scheme is now available at <http://scotlgps2015.org/>. The Pension Fund has promoted the website to Scheme members both in the annual benefit statements

and on the NESPF website.

- An information video is in production
- A Payroll Guide was issued to Employers on 26th September 2014
- The Altair IT system (calculates members benefits) – A provisional date of November 2014 for release update to Altair 5.1 from software provider Heywood's. Once this is in place internal testing of the system will begin in line with the test plan – scheduled for December/January 2015.

5.5 Governance Arrangements

5.5.1 The Public Services Pension Act 2013 sets out new governance requirements for pension funds across the UK, implementing the Hutton recommendations. The Draft LGPS Governance Regulations was open for consultation from 30th September to 11th November 2014.

5.5.2 A copy of the Funds' response to the consultation exercise is attached at Appendix I

A copy of the Heads of Agreement on the new Governance arrangement has previously been issued to the Pensions Committee.

- Scheme Advisory Board – the Act requires the new Scheme regulations to provide for the establishment of a board with responsibility for providing advice to Scottish Ministers, at their request, on the desirability of changes to the Scheme. In addition for locally administered schemes, like the Local Government Pension Scheme in Scotland, where there is more than one scheme manager, the board can also provide advice (on request or otherwise) to the Scheme managers or the Scheme's pension boards, in relation to the effective and efficient administration and management of the Scheme or any pension fund of the Scheme.
- Pension Board - the Act will require Scheme regulations to provide for the establishment of a board with responsibility for assisting the scheme manager, or each scheme manager, in:-
 - securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme connected with it;

- securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator, and
- such other matters as the scheme regulations may specify

5.5.3 Status of the Pension Board

- The Pension Board is not a decision making Body
- The Pension Board is not a scrutiny function
- The Pension Board will be collectively and individually accountable to the Pensions Committee

5.5.4 The Pension Board will determine the areas they wish to consider including amongst others:-

- reports produced for the Pensions Committee
- requisition reports from the scheme managers on any aspect of the fund
- monitor investments and the investment principles/strategy/guidance
- the fund annual report
- external voting and engagement provisions
- fund administrative performance
- actuarial reports and valuations
- funding policy
- any other matters that the Pensions Board deem appropriate

5.5.5 The Heads of Agreement provide further details on the Pension Board in relation to:

- Membership of the boards
- Management of conflict of interest
- Role in supporting the Scheme Employer
- Requirement to publish a separate annual statement of their work

5.5.6 A timetable has been set out by the Scottish Public Pensions Agency (SPPA) for the creation of new governance arrangements and this was previously issued to the Pensions Committee

5.5.7 Scottish Ministers have now issued a Model Constitution for the Board which sets out a recommendation for the minimum of:

4 union representative one from each of the following:

- UNISON
- UCAT
- GMB
- UNITE

Each trade union has been contacted by the Pension Fund section and nominations from each organisation will be sought by 31 December 2014.

4 Employer representatives, from:

Councils
Schedule Bodies
Admitted Bodies

The Council representatives are proposed as elected members. The Fund will seek an elected member representative from each of the three Councils, Aberdeen City Council, Aberdeenshire Council and Moray Council. Nominations will be sought from all remaining scheme employers for the remaining Board position. Nominations to be sought by 30 November 2014.

5.58 Initial training for Pension Board members will take place during spring 2015.

5.6 Risk Register

The risk register remains the key management document with regard to internal controls in delivering the new scheme arrangements.

A copy of the risk register is appended in Appendix II.

The risk register sets out the key risks which have been identified in implementing the new Scheme. These include:-

- resources with the pension section
- staff knowledge
- employer knowledge
- documentation
- costs
- system updates

The risk register sets out risk control measures, assesses whether these are operating effectively and actions proposed. Each identified risk is scored based on likelihood and impact.

It will be updated on an ongoing basis and reported to the Pensions Committee on a quarterly basis.

6. IMPACT

- 6.1 The implementation date of 1 April 2015 will only be the starting point for ongoing change for the Pension Fund, Not only the nature of benefit administration is changing from a 'final salary scheme to a career average scheme but also the closer monitoring of scheme costs through the cost cap and the revisions to scheme governance. The Pension Fund welcomes these changes and will participate actively in the transformation process.

7. BACKGROUND PAPERS

Heads of Agreement, New Local Government Pension Scheme
(Scotland) – Summary

The Local Government Pension Scheme (Scotland) Regulations 2014.

The Local Government Pension Scheme (Transitional Provisions and Savings)
(Scotland) Regulations 2014

Local Government Pension Scheme (Governance) (Scotland) Regulations 2014
(Draft regulations for consultation)

8. REPORT AUTHOR DETAILS

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LOCAL GOVERNMENT PENSION SCHEME (GOVERNANCE) (SCOTLAND) REGULATIONS 2014

Aberdeen City Council Pension Fund (North East Scotland Pension Fund) - CONSULTATION RESPONSE

This document details the comments of Aberdeen City Council Pension Fund on the draft Local Government Pension Scheme (Governance) (Scotland) Regulations 2014 (the “**2014 Regulations**”).

A - KEY POINTS

- 1. Lack of Clarity & Inconsistencies:** It is clear that much of the wording in the regulations has been copied from the governance Heads of Agreement which is inappropriate for primary legislation. A number of areas of the 2014 Regulations lack clarity and would potentially lead to practical issues in implementing the Regulations.
- 2. Appropriate breadth of appointments for Pension Boards:** There is a concern that the 2014 Regulations confuse the issue of employer and member *representation* and the technical *compliance* function of the Pension Board. There needs to be sufficient flexibility to populate Pension Boards with suitably qualified persons. There is a significant risk that employer and member representatives do not have sufficient knowledge and understanding to perform the role.
- 3. Active role of the Scheme Advisory Board:** It will be important that the Scheme Advisory Board has an active role in advising the Scottish Ministers, rather than simply advising on the request of the Scottish Ministers, to ensure that the Scottish Ministers continue to have an active involvement and awareness of LGPS matters.
- 4. Common purpose and duties:** The Pensions Boards and Scheme Advisory Board should each operate as a single body with a common purpose and duty to act in the best interests of the relevant stakeholders in the fund and (where appropriate) the wider LGPS scheme. The bodies only therefore need to appoint a single secretary and a single set of advisors to support their respective functions. Such decisions would be made by agreement of the members of the relevant body in accordance with its constitution. It would be confusing, potentially divisive and inefficient to operate a dual “member versus employer” structure within a single body of the nature of the Scheme Advisory Board and Pensions Boards. With that in mind, all reference to this dual structure (e.g. “two sides” etc.) should be removed from the 2014 Regulations.
- 5. Representation of members:** The reference to member representatives in the 2013 Act has been limited to trade union representation in the 2014 Regulations. A significant number of members of the LGPS are not members of a trade union body.
- 6. Standard of knowledge and understanding:** The 2014 Regulations could further clarify the levels of knowledge and understanding required of Pension Board members by cross referring to the Pension Regulator’s Codes of Practice. An equivalent approach could also be taken in relation to members of the Scheme Advisory Board. This would help inform the prospective members of the expectations on them in performing their roles.

7. **Inconsistencies with the Heads of Agreement:** A number of sections of the 2014 Regulations are inconsistent with the governance Heads of Agreement, particularly relating to the Scheme Advisory Board and Pension Board.
8. **Responses to Governance Consultation from early in 2014:** It appears that responses to the governance consultation earlier in 2014 appear not to have been taken into account in the drafting of the 2014 Regulations.

B - DETAILED COMMENTS

REGULATION	COMMENT
Scheme Advisory Board	
1(4)	Certain Scheme managers manage multiple funds. This should be reflected in the definition here. 'Local government employer' is not a helpful term. Nor is the definition helpful. Per Schedule 1 of the 2014 regulations: "Scheme employer" means a body listed in Schedule 2 employing an employee who is eligible to be a member and includes an admission body.' The additional term "local government employer" is therefore otiose as it has the same meaning as Scheme employer.
2(1)	Constitution and remit: The regulation should formally constitute and establish the Scheme Advisory Board.
2(2)	The word "main" should be deleted as being ambiguous and confusing. The functions of the Scheme Advisory Board will be as stated in the 2014 Regulations, with any other functions requiring to be expressly detailed therein. The Scheme Advisory Board should simply be constituted to advise the Scottish Ministers, rather than only doing so at their request. Provisions should be included around the Scheme Advisory Board's ability to determine its own constitution, procedures etc. Provisions should be included around funding the costs of the Scheme Advisory Board, how the costs will be split and/or determined and whether there will be any budget oversight for the Scheme Advisory Board.
2(3)	Enforceability: This provision is not sufficiently clear in setting out the intention behind the requirement of a body to "have regard to the advice". This may result in uncertainty and potential legal challenge, which would not be in the best interests of LGPS stakeholders. 2(3) should be removed.
3(1) and 3(2)	Membership: As above, restricting the membership of the Scheme Advisory Board to a "bipartite body" of local government employer and trade union representatives would provide sufficient flexibility to ensure that this body includes appropriately representative and qualified persons from time to time to perform the relevant functions. The 2013 Act does not make specific reference to trade union representatives, rather providing for collective representation for members of the funds. Knowledge and expertise: The words "inform their role" could be replaced with "perform their role to an appropriately competent standard of knowledge, skill and care and with regard to any relevant guidance issued by the Pensions Regulator from time to time".
3(4)	Secretaries: the role should be defined. A single body should not have two secretaries. This would create confusion and cause unnecessary duplication, confusion and bureaucracy. A single secretary should be appointed by agreement of the members of the Scheme

	Advisory Board and the constitution could deal with such matters as rotation, term, re-appointment, removal etc.
3(5)	Advisers: The body itself should appoint its own advisers - acting collectively and with their common duty to the stakeholders of the funds in mind. The presence of multiple advisers would not be appropriate for the operation of a body of this nature nor would it be conducive to effective and efficient governance.
Pensions Boards	
5	Constitution and remit: Responsibility for establishing the Pension Board and maintaining the Board's constitution should be made clear. The Board itself should not be allowed to change its own constitution - this would not be a good governance model. The drafting of section 5(1) and (2) should be combined to more clearly state the responsibilities of the Pension Boards. In addition, (c) should be removed as being unnecessary and creating ambiguity. The remit of the Pension Board should be clearly set out in section 5 and not elsewhere. See also the below comments on paragraph 8 of the 2014 Regulations.
6(1)	Membership: The 2013 Act does not make specific reference to trade union representatives, rather providing for collective representation for members of the funds. In addition, the regulation should expressly set out that the Scheme Manager shall determine the membership of the Pension Board and the manner in which the appointment/removal process, terms of appointment, constitution etc. shall operate in consultation with the members and employers.
6(2)	The 2013 Act does not make specific reference to trade union representatives, rather providing for collective representation for members of the funds. The text 'depending on size of membership' does not appear to have any meaning and should be removed. 4 is too large a minimum - it is unlikely that smaller LGPS funds in Scotland will achieve representatives from 4 employers and/or members. In addition, employers do not have a collective organisation from which nominations can be sought. (CoSLA represent the Councils in Scotland). The allowance of substitutes is inconsistent with the Heads of Agreement. Knowledge and expertise: The words "inform their role" should be replaced with "perform their role to an appropriately competent standard of knowledge, skill and care and otherwise in accordance with the requirements and guidance of the Pensions Regulator from time to time."
6(3)	Remove the word 'relevant'
6(4)	Secretaries: as above for the Scheme Advisory Board. This was not included in the Heads of Agreement.
6(5)	Advisers: The body itself should appoint its own advisers - acting collectively and with their common duty to the stakeholders of the funds in mind. The presence of multiple advisers would not be appropriate for the operation of a body of this nature nor would it be conducive to effective and efficient governance
6(7)	The Scheme Advisory Board role is to advise, not mediate or adjudicate. Also the Scheme Advisory Board is unlikely to be established prior to 1 April 2015 to assist in the event of disagreement in the establishment of the Pension Boards.
6(8)	Add the word 'reasonable'. Costs should also be agreed by the Scheme Manager.
8	Implementation of remit: the remit of the Pension Board is set out in

	<p>paragraph 5 and paragraph 8 of the 2014 Regulations in fact details the matters that the Pensions Board may review to support its remit. The heading of this clause should therefore be amended to avoid confusion and to ensure it is clear that the remit should not extend beyond that set out in the 2013 Act and provided for in paragraph 5 of the 2014 Regulations. The current drafting may otherwise lead to ambiguity around the extension of the remit of the Pensions Board beyond what is anticipated by the 2013 Act. Reference to investments should read 'may' rather than 'shall'.</p> <p>8(1) - 'Pension Committee' should read 'pension fund'.</p> <p>8(1)(d) wording is inconsistent with the Heads of Agreement.</p> <p>8(2) should be deleted and any reference to investments of the fund and investment principals etc. included in 8(1), making it clear that the Pensions Board shall be to review such activities in order to fulfil its remit set out in paragraph 5 of the 2014 Regulations and the 2013 Act.</p>
8(3)	<p>Requisitioning reports: Change 'requisition' to 'seek' The paragraph should also be amended so that the Pensions Board may only seek reports from the Scheme Manager where it (acting reasonably) determines that this would be necessary to enable it to properly carry out its functions in accordance with the 2014 Regulations.</p>
9	<p>Pension Committee and Pension Board disagreements: the title of this section is unhelpful - the Pension Board and the Scheme Manager have different functions. A more appropriate title should refer to the situation when the Pension Board asks the Scheme Manager to reconsider a decision. The provision should also be amended to ensure that a review may only be requested where the Pension Board has demonstrated valid concerns in relation to the decision being in breach of any applicable law, regulation or Code of Practice.</p> <p>The grounds for review set out in paragraph 9(2) are too loosely construed and should therefore be amended accordingly and appropriately aligned to the remit of the Pensions Board itself. In particular, 2(a) and (d) are so general in nature as to enable a review to be requested on virtually any decision of the Scheme Manager.</p> <p>This section is also inconsistent with the Heads of Agreement.</p>
9(3)	<p>The definition of a 'joint secretarial report' is unclear. Separate reports on the issue by the Pensions Board and the Scheme Manager may be more appropriate and practical. There should also be a requirement for these reports to be passed to the Scheme Advisory Board within certain timescales to allow the Scheme Advisory Board to undertake its role as defined in 9(4).</p>
Training Programme	
10	<p>This should include appropriate reference to the requirements and guidance issued by the Pensions Regulator from time to time. Also consistent across all Scottish Funds.</p>

Key Business Objectives

Risk Description <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Risk Control Measures	Are Controls Operating Effectively?	Assessment of Residual Risk (likelihood x impact)		Action now proposed	Lead Officer	Review Date
				Likelihood	Impact			
Pension Section - Resources, due to operational requirements for 2014 Valuation, there is limited resources within the Pensions Section to deliver new scheme within its current structure	Failure to ensure that scheme employers and members are fully informed of new scheme, failures are made in implementation resulting in benefit miscalculation and costs to the Fund	Ongoing review of staffing requirements	Partially	3	4	Effective monitoring by the Project team and discussed at monthly meeting	LG	01-Nov-14
Staff Knowledge - Due to current work pressures, time to train the current staff is limited	Staff provide incorrect information to scheme employers and members	Training dates to be agreed and notes produced by Eric Penno	Partially	4	3	Training to be carried out throughout 2014	LG/EP	01-Nov-14
Employer knowledge - understanding of new care scheme, and cap	Failure to assess internal risk	Seminars and site visits to scheme employers	Partially	4	3	Increase level of contact with employers through posts, news letters, seminars etc. Provide deadlines for information feedback to nesp	LG/CM	01-Nov-14
Documentation quality and consistency - essential to meet requirements of employers, members and unions	Documentation not accurate or ready in time for introduction of new scheme	Review all documentation in 2014	Partially	3	4	Documentation to be reviewed at monthly meeting	LG/EP/MS/JH	01-Nov-14
Costs - additional resources are required to implement the new scheme and these require to be monitored	Costs to the pensions fund at a time when pension funds are under scrutiny	Costs are reported quarterly to the Pensions Committee of ACC and appropriate costs now will mitigate additional work in the future	Yes	3	3	Monitoring to be carried out by the Project Manager	LG	01-Nov-14
Procedures for managing old and new scheme require to be implemented to ensure information is correctly documented	Failure to maintain correct records	Agree implementation strategy between PMI, PPO - Benefits and SPO	Yes	3	3	Meetings to be held monthly from Jan onwards to discuss and outcome to be distributed to staff at regular staff training meetings	EP/NI/M/ALL	01-Nov-14

Key Business Objectives

Risk Description <i>Threat to achievement of business objective</i>	Scope/potential consequences of risk	Risk Control Measures	Are Controls Operating Effectively?	Assessment of Residual Risk (likelihood x impact)		Action now proposed	Lead Officer	Review Date
				Likelihood	Impact			
Emporium not updated to meet new scheme requirements	Failure to hold correct information would result in incorrect information to stakeholders	Emporium to be updated with new scheme information by EP	Partially	3	3	9	EP/ALL	01-Nov-14
Failure to achieve successful roll out of system revisions	Failure to calculate member benefits correctly and in a timely manner, resulting in costs to the Fund	Project Plan in place with monthly reviews and oversight in place	Yes	3	3	9	GG/NM/ALL	01-Nov-14
Failure to implement Regulatory and Compliance Implementation of PSPA 2013	Failure to implement Pensions Board and confirm compliance with Pensions Regulator guidance	Consultation on Pensions Board in line with issue of draft regulations, Pensions Analyst to review regulator guidance	Yes	3	3	9	JH	01-Nov-14



Project Name: New LGPS Scotland 2015
 Directorate: Corporate Governance
 Service: Finance, Pensions
 Focus: Delivery of the New LGPS Scotland 2015

Prepared By:

Document Owner(s)	Project/Organization Role
Laura Goodchild	Project Manager


Approved By:

Project Sponsor	Date
Head of Finance	
Project Support Analyst	

Projects Status Report Version Control

Version	Date	Author	Change Description
1	1/7/2014		Initial Draft

Copy of minute of 10th November 2014 attached
Copy of risk register attached

Item No.	Title	Current Position	Agreed Action	Risk	Milestones	Responsible
1.	Pensions Committee	Quarterly reporting to Committee	Copy of monthly status report to be issued to members with effect from end July 2014	 <p>Regular reporting ensures proper oversight of project</p>	Quarterly reporting to the November 2014 meeting of Pensions Committee	LG
2.	Engagement with Scottish Ministers	Transitional Regulations published 27 August 2014 after consultation. Proposed amendments submitted to Scottish Ministers and amendment regulations to follow Draft Governance Regulations issued for consultation 30 th September to 11 th November 2014.	LG to meet with other Scottish Funds on 31 st October to prepare joint response and will also prepare individual response to consultation. LC to investigate options for employer events	Failure of SPPA to respond to concerns of administering authorities re the transition regs could result in delay in implementation of full regulations	Benefit and Admin Regulations published Transitional Regulations published	KL
3.	Engagement with Scheme Employers	Engagement planned for autumn 2014 Two training sessions have been held. Further individual employer training sessions planned for Dec 2014 onwards.	LC to investigate options for employer events	Failure to provide adequate employer training could result in incorrect information supplied to administering authority	23 September, Event led by Tim Hazelwood attended by 3 members of Pension Fund. 23 October, Event held at AECC, 59 delegates attended from 32 employers. Pension Fund staff also attended.	LC
4.	Engagement with Scheme Members	Scottish website is now live and linked to from NESPF site.	Senior Communication officer engaging as part of joint comms team on progress of review by	Delay in SLOGPAG approval of communications could result in concern by	Timetable for initial scheme member training to be agreed by	KL/JH

		Presentation for training use nearly complete. Further comms still in production.	SLOGPAG	scheme members on future of scheme	end August 2014	
5.	Engagement with Trade Unions	Meeting held 11 th September with Trade Unions regarding Governance arrangements	LC to contact trade unions to discuss their member communication strategy	Trade union engagement with their members provides additional support to Fund engagement with scheme members	Agree a meeting date with trade unions to discuss joint training agenda	LC/KL/LG
6.	Altair System Changes	Webinar hosted by Heywood's for staff Altair system update provisional November/Dec date to allow testing to begin	Publication of regulations awaited to allow for system developments	Delays in legislation could result in delay in system development	Publication of all regulations will allow timeline to be agreed for system testing	NM
7.	Risk Register	Risk Register reviewed and updated	To be attached to monthly status report with effect from end July 2014	Failure to maintain and review risk register could result in potential error in new scheme implementation	Weekly sign off by Pensions Manager with reporting to Sponsor Group	LG
8.	Staff Training	Webinar hosted by Heywood's for staff In-house staff training session being arranged for early New Year and LGE practioner training sessions in Edinburgh 20 th and 27 th Jan 2015 if staff unable to attend in-house.	NM and EP to continue to provide staff training and engage staff in system testing in lead up to new scheme	Benefit Team pro-active in staff training ahead of new scheme	System Testing March 2015	ALL
9.	Document Review	Awaiting final regulations to allow review to start	EP to undertake review	Failure to review scheme documentation could result in incorrect or misleading information being issued to scheme members	Documents approved by Pensions Manager March 2015	EP/LG
10.	Communication	Scottish Website approved and is now live. Payroll Guide issued to Employers on 26 th September. Video is finished. Work still ongoing on newsletter and modeller.	LC to work with Scottish comms team on progressing revised documents for scheme members	Scottish Wide information to ensure consistency	Establishment of website and agreed booklets approved by SLOGPAG	LC

11.	Pensions Board	<p>Draft Consultation prepared regarding Pensions Board</p> <p>Meeting held with Trade Union reps to discuss Pension Board and secretariat support.</p> <p>Employers contacted for Trade Union associations to help with establishing pension board.</p>	<p>Consultation to be issued to all scheme employers early November/December 2014</p>	<p>Failure to consult could result in lack of consensus of role of the Pensions Board</p>	<p>Timetable issued by SPPA.</p>	<p>LG</p>
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LGPS 2015 Project Meeting

Date Monday 10th November 2014

Time 14:00

Attendees Laura Goodchild, Claire Mullen, Kenny Lyon, Neil Middleton, Louise Campbell, Mairi Suttie, Eric Penno

Apologies Joanne Hope, Gary Gray

Item	Notes of Discussion	Actions
1. Pensions Committee	<ul style="list-style-type: none"> ➤ Pensions Panel now the Pensions Committee ➤ Next meeting will be 24/11/2014 and will include updated 2015 project report 	<ul style="list-style-type: none"> ➤ MS to circulate copy of committee report on new scheme to project team
2. Engagement with Scottish Ministers	<ul style="list-style-type: none"> ➤ Both sets of Regulations are now out. Misc Amendments due out by April 2015. Should just be minor cosmetic changes e.g provision for over 65 ill health retirement ➤ Further updates due from Terry Edwards on areas such as Certificates of Protection. 	<ul style="list-style-type: none"> ➤ MS/LG to circulate remit of Pensions Board to Pension Fund staff

	<ul style="list-style-type: none"> ➤ KL to attend next managers meeting on 05/12/2014. ➤ Scottish Funds met on 31/10/2014 to discuss joint response to Governance Regulations. LG to submit individual response by close of consultation period on 11/11/2014 	
3. Employers	<ul style="list-style-type: none"> ➤ Employer LGPS 2015 bulletin to be issued this month. ➤ Employer training sessions have both taken place with positive feedback from employers. ➤ Further individual employer training sessions to be organised from Dec 2014 onwards, at employers request – information to be provided in employer bulletin 	<ul style="list-style-type: none"> ➤ To investigate whether separate forum is needed to cover employer discretions
4. Scheme Members	<ul style="list-style-type: none"> ➤ LGPS 2015 website is now live. Link to this on NESPF website and provided in annual member benefit statements ➤ In-house training session organised for Pension Fund staff with date to be confirmed. 2 further LGE practioner training sessions in Edinburgh on 20th/27th Jan 2015 for staff unable to attend in-house training. 	
5. Union Representatives	<ul style="list-style-type: none"> ➤ No recent communication with Unions 	
6. Altair & Pensions Systems	<ul style="list-style-type: none"> ➤ NM chasing up Heywoods for confirmation of date for 2015 release. 	

	<ul style="list-style-type: none"> ➤ GG due to attend Heywoods User Group and may get update there. Looking at possibly end of Nov/Dec before testing can begin. ➤ 3 Scottish sites taking part in testing. ➤ Updates being provided by JH/MS 	
7. Risk Register		
8. Communications	<ul style="list-style-type: none"> ➤ Presentation for training nearly finished. Once it has been approved will be issued to Funds. ➤ Video has been completed. Newsletter and modeller still being worked on. 	

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ABERDEEN CITY COUNCIL

COMMITTEE: PENSIONS COMMITTEE
DATE: 24TH NOVEMBER 2014
REPORT BY: HEAD OF FINANCE
TITLE OF REPORT: CORPORATE GOVERNANCE AND SRI
REPORT NUMBER: PC/NOV14/CGSRI

1. PURPOSE OF REPORT

To review the Pension Fund's Corporate Governance and Social Responsible Investment activity for the three month period ending 30th Sep 2014.

2. RECOMMENDATION(S)

It is recommended that the committee note the report.

3. FINANCIAL IMPLICATIONS

The costs associated with Corporate Governance and Socially Responsible Investment activity are met by the Fund. Good corporate governance is a vital element of effective corporate management leading to good management, performance and stewardship of shareholders money.

4. OTHER IMPLICATIONS

None

5. BACKGROUND

5.1. Corporate Governance

Good corporate governance is a vital element of effective corporate management leading to good management, performance and stewardship of shareholders money. Through its policy of In-house voting and membership of the Local Authority Pension Fund Forum, and the UNPRI, the Fund supports good corporate governance in the companies in which it invests, and challenges companies who do not meet the standards set by their peers or reasonable expectations as measured by best practice.

A report is presented quarterly to the Joint Investment Advisory Committee on the Fund's Corporate Governance and Socially Responsive Investment Activity.

5.2. Quarterly Report

5.2.1 VOTING

During the Quarter to end Sep 2014 the Fund voted at 26 meetings.

Our Quarterly Voting Report is attached in Appendix 1

the most contentious areas were:

Directors

- Insufficient Independence on board
- Independent Directors who have spent over 9 years on the board.
- Poor Attendance

Executive Pay Schemes

- Lack of disclosure with performance targets not being provided
- Vesting period not considered sufficiently long term

Remuneration Reports/Policy

- Poor Disclosure
- Lack of multiple performance indicators
- Targets not sufficiently challenging resulting in excessive payments

5.2.2 LOCAL AUTHORITY PENSION FUND FORUM (LAPFF)

At the LAPFF business meeting held on the 8th Oct the following topics were discussed.

- **Quarterly Engagement Report**

A report on LAPFF's engagement for the quarter ending Sep 2014 can be found in Appendix 2

- **Global Tax Transparency – 2014 G20 Meeting**

The Annual G20 Summit is scheduled to take place in November in Brisbane Australia this will give LAPFF an opportunity to:

- Demonstrate institutional investor support for international tax reform and good corporate governance.
- Advocate a sound position on improved transparency and disclosure in reform of international taxation rules.
- Assist in building links and relationships between LAPFF and other organisations on an international policy that affects institutional investors and beneficiaries.

LAPFF Action Plan

- LAPFF will seek to enter the debate with a public statement of support for the international taxation reform in the context of Organisation for Economic Co-operation & Development (OECD) 2013 Action Plan, the November G20 Summit and the specific Action Plan measures that promote improved governance around transparency and disclosure.
- LAPFF will seek to build a coalition of like minded organisations prepared to support such a statement. Endorsement will be sought from mutual based pension funds, governance bodies and representative organisations in the UK, US & Australia to maximize potential impact.
- LAPFF will coordinate the initiative and seek to have an agreed statement for simultaneous international release by the end of October/early November.

5.2.3 UNITED NATION'S PRINCIPLES FOR RESPONSIBLE INVESTMENT

Working Group - Sustainable Stock Exchange

A letter from our working group has been posted out to the Secretary General and all Board members of the International Organisation of Securities Commission (IOSCO).

The letter was endorsed by 97 investors and 21 coalitions and services providers from 18 countries representing combined assets of \$9.3 trillion in AUM.

The letter urges the IOSCO to consider the following

- **Leading dialogue** with regulators and exchange operators to determine a pathway for more consistent ESG disclosure rules to be brought forward in each market;
- **Encouraging the development of disclosure rules** and accountability mechanisms that facilitate meaningful, comparable, and consistent ESG disclosures across markets, without imposing undue compliance or liability risks on issuers.
- **Creating a Task Force** dedicated to improving ESG disclosures market-wide, and whose work would feed into IOSCO's Issuer Accounting, Auditing and Disclosure Committee.
- **Publishing an official statement** explaining the rationale for ESG disclosure, to help issuers and capital market influencers better understand the benefits.

6. IMPACT ON THE PENSION FUND

At a time when companies are facing challenging markets, good corporate governance is key in protecting the Fund's investments.

7. BACKGROUND PAPERS

PIRC Quarterly Voting Report Appendix 1

LAPFF Research & Engagement Appendix 2

8. REPORT AUTHOR DETAILS

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QUARTERLY ENGAGEMENT REPORT

JULY TO SEPTEMBER 2014



Voting machines at National Grid AGM

Local Authority Pension Fund Forum (LAPFF)

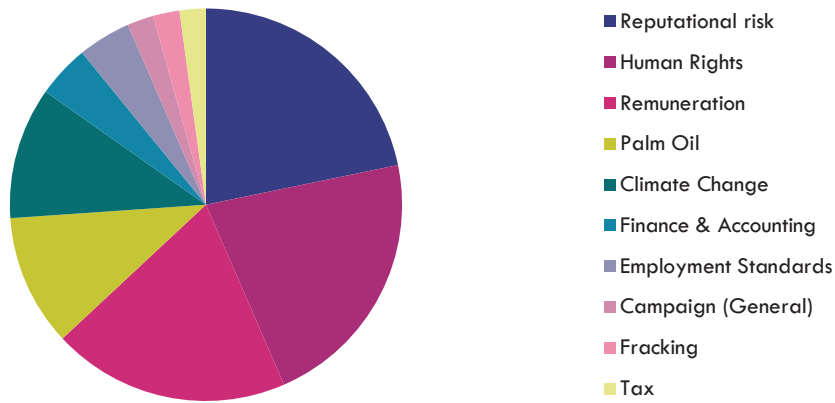
LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, LAPFF brings together a diverse range of local authority pension funds in the UK with combined assets of over £150 billion, www.lapfforum.org.

ENGAGEMENT SUMMARY

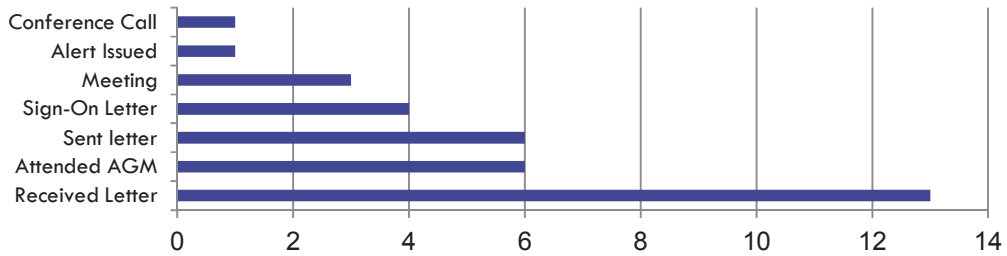
JULY TO SEPTEMBER 2014

The Forum engaged with **30 companies** over the period

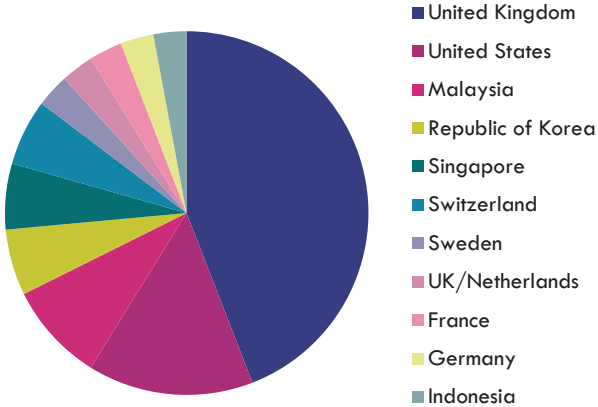
Topics



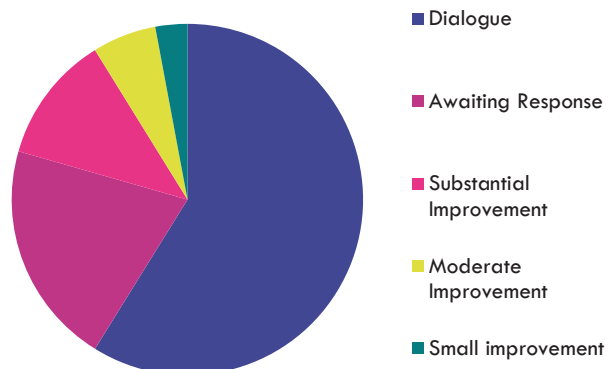
Activities



Company Domicile



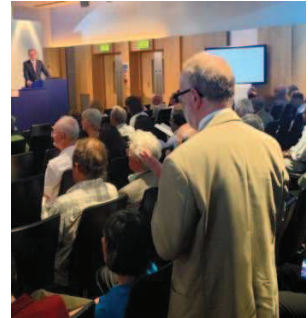
Outcome



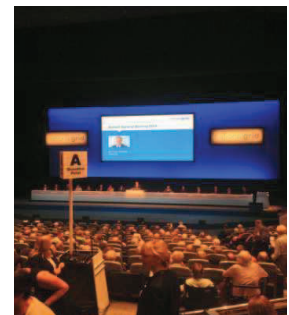
ACHIEVEMENTS

During the Quarter, LAPFF has maintained a consistent profile, engaging on governance and corporate responsibility concerns and publicly raising significant shareholder issues by direct questioning at company AGMs as part of the engagement process.

- Cllr Greening questioned the board on the links between executive pay and longer term climate risks and mitigation strategies at the **British Land** AGM.
- Asked the chair of **Vodafone** at the AGM about excessive executive pay, given the Company's performance has not been very strong over the past year. Received response to Cllr Greening's question that bonuses rarely result in a 100% payout and that the long term incentive metric outperformed the market.
- Cllr Greening also questioned **Betfair** at its AGM over illegal dividends and share buybacks after LAPFF issued a voting alert on this topic.
- Cllr Cameron Rose attended the **BT Group** AGM to ask how the Company ensures that its customer service performance is adequately reflected in pay incentives when the importance of this area has been downgraded in the performance metrics.
- Raised concerns over remuneration at the **Burberry** AGM in light of the increase in salary and other arrangements for the newly appointed CEO Christopher Bailey.
- Attended the **National Grid** AGM to continue engagement around progress towards achieving a top level within the Carbon Disclosure Project's Climate Performance Leadership Index. Were told that LAPFF was the first investor group to raise the issue of progress on reporting Scope 3 emissions.
- After collaborative engagement on sustainable palm oil practices, **Sime Darby**, **Kuala Lumpur Berhad**, **Asian Agri Resources** and **IOI Group** have announced an immediate moratorium on clearance of high carbon stock forests.
- Met with **G4S**'s senior independent director to discuss changes at the head of the company and the effect on operational and reputational risk management including challenges from complex, international contracts, diversity and succession planning.
- Met with **Glencore** for a second time on carbon management within the Aiming for A investor initiative, as well as raising other social and governance risk management concerns.
- Pursued previous engagement with **BAE** by meeting with the chair, Sir Roger Carr. Topics covered anti-corruption processes, executive pay and gender diversity at board level as well as throughout the company.



British Land AGM



National Grid AGM

THE FORUM IN THE NEWS

Director Remuneration
[Lexology](#)

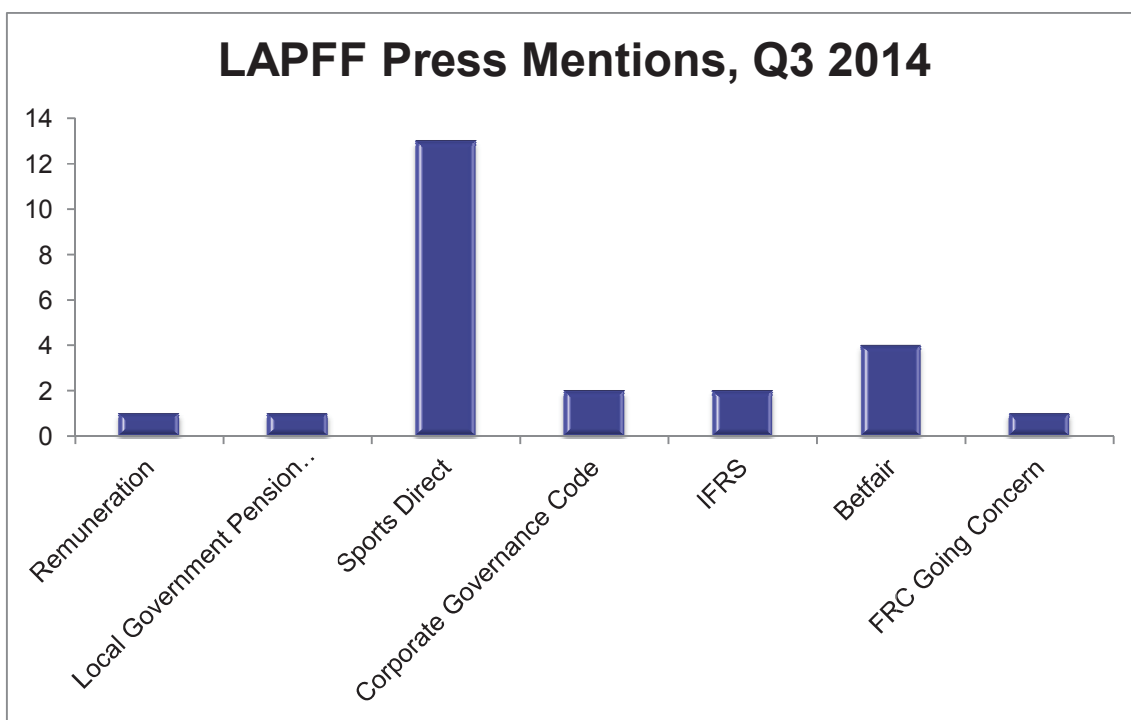
Local Government Pension Schemes
[Local Government Chronicle](#), [Investment and Pensions Europe](#)

LAPFF targets SportsDirect over Mike Ashley's pay package
[City A.M.](#), [Reuters](#), [Investment & Pensions Europe](#), [The Guardian](#), [BBC](#), [Evening Standard](#), [The Journal](#), [Express and Star](#)

Corporate Governance Code
[Financial Times](#), [Accountancy Age](#)

IFRS Failings
[Professional Pensions](#), [Investment and Pensions Europe](#), [Financial Director](#)

Betfair
[Sunday Telegraph](#), [SBC News](#), [economia](#), [Financial News](#), [Shares Magazine](#)
[Chinese press](#).



COMPANY ENGAGEMENT

LEADERSHIP ON KEY CAMPAIGNS

The issue of the production and sale of cluster munitions was raised at the June executive meetings and LAPFF agreed to engage with nine aerospace and defence companies over the production and sale of cluster munitions. The concern is that these weapons kill people indiscriminately and that they continue to be dangerous after conflicts have ended. Of the companies contacted – **Textron, ATK, L-3, General Dynamics, Lockheed Martin, Doosan, Hanwha** and **Singapore Technologies** – four have responded to letters requesting confirmation that these companies do not produce or sell cluster munitions.

By and large, the responses received so far state that the companies do not produce or sell cluster munitions within the definition of the Oslo Convention. However, neither the U.S. nor South Korea – both of which are major clients of these firms – have ratified or acceded to the Oslo Convention. This lack of state commitment to the law makes it more difficult to discern the extent of companies' involvement.

A meeting was held with the chair of **BAE**, Sir Roger Carr, to discuss cluster munitions and to follow up from previous meetings with the company. Sir Roger provided assurances that BAE is completely compliant with the terms of the Oslo Convention, which is the international law that bans cluster munitions. The meeting gave the opportunity to assess progress on anti-corruption processes, looked at simplification of pay arrangements and assessed the measures BAE was putting in place to ensure not only board diversity, but gender diversity throughout the company.

PROMOTING GOOD GOVERNANCE

Executive Pay

LAPFF continues to push companies on their executive pay arrangements, especially in relation to rewards for sub-par performance and on complexity. At the **Vodafone** AGM, Cllr Greening asked Chairman Gerard Kleisterlee how the Company could have rewarded its executives with variable pay when the financials for the year were not good. Mr Kleisterlee responded that bonus payments rarely reach a 100% payout and that metrics informing the long term incentive plan outperformed the market. However, he did not address the lack of a link between pay and performance.



A second meeting with the senior independent director of **G4S**, aimed to ascertain whether changes at the head of the Company have led to better operational management on the

ground and have lessened reputational risk. The new chief executive, Mr Almanza, appears to be making significant changes, and post-Olympics, the company believes there is improved contract assurance and greater scrutiny of contracts with newly established risk committees at the executive and board levels to deal with complex contracts. LAPFF again raised the issue of pay complexity. The company has engaged extensively with its major shareholders, but has come up against opposing investor opinion on metrics. A follow-up phone call established that some elements of the EPS adjustments were confusing and would be removed.

Complex pay arrangements are also of concern at **Hays**. Hays' scheme is problematic in that it has too many components, six in total, thus making it difficult for investors to track payments and whether the payments were deserved. LAPFF has written to the company seeking a meeting. At the **BT** AGM, Cllr Rose asked how pay incentives helped improve customer service given that the relative importance of customer service has dropped in the Company's performance metrics for executives.

Reliable Accounts

Betfair has stated in its Annual Report that it paid illegal dividends and share buyback distributions for the years 2011, 2012 and 2013. LAPFF issued a voting alert ahead of the September AGM aiming to hold relevant Board members responsible for the distribution payments. The alert includes a recommendation to abstain on the resolution approving the payment of dividends for the year under review as it is not clear that the accounting problems have been remedied. It appears that the illegal dividends were paid in part because the Company's accounts were not audited in line with the 'true and fair view' standard set at law.

MANAGING ENVIRONMENTAL RISK

Palm oil

LAPFF's engagement with companies to encourage sustainable palm oil production and supplies has met some success. A group of palm oil growers, including **Sime Darby**, **Kuala Lumpur Berhad**, **Asian Agri Resources** and **IOI Group**, released a 'Sustainable Palm Oil Manifesto' directed at ensuring future palm oil developments are subject to high standards of environmental protection and limit deforestation. While the Manifesto might be regarded as a step forward, LAPFF shared concerns that it does not set the same strong standards as those followed by major industry leaders whom the Forum has supported such as Wilmar and Golden-Agri.



The Manifesto does not adequately extend to the companies' third party suppliers or protect peatlands and allowed the companies to continue deforestation while definitional issues are resolved. LAPFF again co-signed letters with Green Century Capital Management to raise these concerns with these companies, seeking an immediate moratorium on deforestation and

requested the companies adopt a time-bound plan for fully traceable palm oil. By mid-September members of the Palm Oil Manifesto Group announced that they would be adopting an immediate moratorium on clearance of high carbon stock forests.

LAPFF is continuing to work with the **PRI Investor Group** and is participating in collective engagement with the largest buyer of palm oil from an Indonesian supplier on working to find a way to engage with that supplier over concerns with its practices for palm oil production.

Energy and Environmental Risk



LAPFF has continued to engage on climate risks at AGMs during the 2014 season. At the **British Land** AGM, Cllr Greening focussed on the extent to which the Company has considered future climate impacts in land purchase and developments, particularly flood and inundation risk. The board was also asked about the Company's influence with local authorities to

improve sustainability and resilience factors in housing and commercial developments. The concern is that if climate impacts have not been considered adequately, both in location and design, British Land developments could face longer term risks from extreme weather or other environmental impacts. If these risks materialise, they could affect shareholder value.

This extended notion of climate risks was reflected in the question asked to Sir Peter Gershon, the **National Grid** chairman, at the company's AGM regarding measurement and reporting of Scope 3 emissions. To date, most companies have focused reporting on Scope 1 and 2 emissions. However, it is important to recognise that company emission profiles encompass their supply chains and major contractors, or Scope 3 emissions. This AGM attendance continues LAPFF's participation in the 'Aiming for A' engagement which encourages company progress within the Carbon Disclosure Project's Climate Performance Leadership Index. The Chair, Sir Peter Gershon, noted that LAPFF was the first investor group to raise the issue of progress on monitoring Scope 3 emissions. Identifying the emissions profiles generated throughout complex supply chains also helps to begin to address the deeper issues of climate risk management and the development of adaptation and resilience measures critical to energy supply companies operating vital infrastructure networks.



LAPFF continued its engagement with **Glencore** on carbon management within a discussion on the overall environmental, social and governance risk management processes. Questions were posed both at a sustainability presentation and a separate meeting with the head of the board environment and safety committee. On its carbon management, the company was encouraged to establish emissions reduction initiatives and set associated targets in order to

and to clearly identify links between the initiatives and reductions made. Closer questioning on performance against health and safety metrics indicated a more effective monitoring system being implemented. On board governance, succession planning and gender and other aspects of diversity were addressed.

TARGETING SOCIAL ISSUES

Employment Standards

The issue of modern day slavery is beginning to rise on companies' radars. Recent reports on Asian slave labour helping to produce prawns destined for US and UK supermarkets and the UK Government's Modern Slavery Bill, introduced in June has given a greater focus on transparency in supply chains. For extractive companies such as Glencore, concerns include child labour, artisanal mining and exposure to social risks particularly in countries such as Mauritania.

"It is difficult to accept that modern Britain is home to slavery, but this appalling crime is taking place here - often out of sight - in shops, fields, building sites and behind the curtains of houses on ordinary streets" (Home Secretary Theresa May, BBC, 31 July 2014)

Social and Reputational Risks

LAPFF continues to engage with a range of stakeholders in order to inform better campaign and engagement approaches. Western Sahara Resource Watch (WSRW) requested a meeting to explain its position on company engagement in Western Sahara. Citing a UN legal decision on Western Sahara's right to exploit its natural resources as a Non-Self-Governing Territory, the organisation takes the stance that Morocco is illegally occupying Western Sahara and that therefore foreign companies, particularly phosphate and oil companies, should not be signing contracts with Morocco in relation to projects in Western Sahara. WSRW would like to see the political situation between Morocco and Western Sahara resolved before foreign companies undertake projects in Western Sahara. It believes this resolution would allow companies to engage with Saharawis to ensure that projects are mutually beneficial.

CONSULTATIONS & PUBLIC POLICY

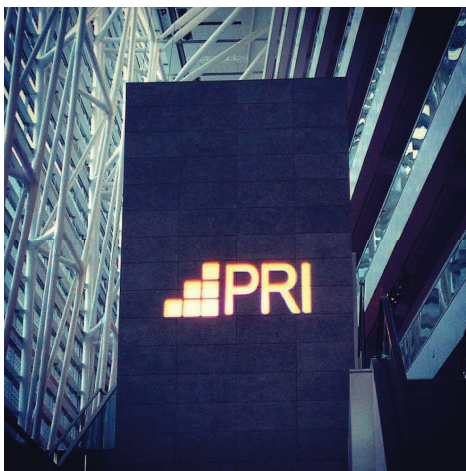
ENGAGING WITH POLICY-MAKERS

LAPFF has co-signed a letter to the International Organisation of Securities Commissions (**IOSCO**) to support working more closely with regulators, stock exchanges and other related parties to improve the disclosure of material and high-quality corporate Environmental, Social and Governance information in the global marketplace.

LAPFF hosted fringe meetings at the **Labour Party Conference** and the **Conservative Party Conference** on 'The Future of the Local Government Pension Scheme.' Speakers included the LAPFF chair, Cllr Kieran Quinn, Henry Boucher of Sarasin and Partners and Cllr Denise Le Gal, Chair, Surrey Pension Fund.

NETWORKS & EVENTS

- **30% Club Investor Group** – 'Next steps for accelerating change' with CEO of Women on Boards
- **Glencore Sustainability Presentation** by Tony Hayward (Chairman), Ivan Glasenberg (CEO) and Peter Coates (Chair of HSEC Committee)
- **CCLA** – event highlighting the importance of collective action on climate change, hosted by St Paul's/CCLA.
- **Threadneedle/UKSIF** event on UK preparations for fracking
- **Clifford Chance** – seminar on whether an arbitration tribunal similar to investment tribunals would be feasible for human rights
- **PRI in Person, Montreal** – included debates on fossil fuel divestment, investor tax responsibility, green bonds, fracking, human rights in extractives and executive remuneration



COMPANY PROGRESS REPORT

Company	Topics	Outcome
Glencore	Carbon management, board diversity	Small Improvement
Textron	Reputational risk, human rights	Dialogue
Alliant Techsystems	Reputational risk, human rights	Awaiting Response
L-3 Communications	Reputational risk, human rights	Dialogue
General Dynamics	Reputational risk, human rights	Awaiting Response
Lockheed Martin	Reputational risk, human rights	Dialogue
Doosan	Reputational risk, human rights	Awaiting Response
Hanwha Corporation	Reputational risk, human rights	Awaiting Response
Singapore Technologies	Reputational risk, human rights	Dialogue
Hays	Remuneration	Dialogue
Astrazeneca	Mergers and acquisitions	Dialogue
BAE Systems	Remuneration, board composition	Moderate Improvement
Burberry Group	Remuneration	Dialogue
BT Group	Remuneration	Dialogue
British Land	Remuneration, climate change	Dialogue
G4S	Remuneration, human rights	Moderate Improvement
National Grid	Carbon management	Dialogue
Svenska Handelsbanken	Remuneration	Dialogue
National Express	Employment standards	Dialogue
Vodafone	Remuneration, tax	Dialogue
Betfair	Finance & accounting	Dialogue
Sime Darby	Sustainable palm oil	Substantial Improvement
Kuala Lumpur Berhad	Sustainable palm oil	Substantial Improvement
Asian Agri Resources	Sustainable palm oil	Substantial Improvement
IOI Group	Sustainable palm oil	Substantial Improvement
Novartis	Holdings Based Engagement	Dialogue
Total	Carbon management, fracking	Dialogue
Deutsche Telekom	Employment Standards	Dialogue
Severn Trent	Remuneration	Dialogue
Olam	Sustainable palm oil	Dialogue

Companies LAPFF has not previously engaged with individually are indicated in bold.

Local Authority Pension Fund Forum Members

Avon Pension Fund
Barking and Dagenham LB
Bedfordshire Pension Fund
Camden LB
Cheshire Pension Fund
City of London Corporation
Clwyd Pension Fund
Croydon LB
Cumbria Pension Scheme
Derbyshire CC
Devon CC
Dorset County Pension Fund
Dyfed Pension Fund
Ealing LB
East Riding of Yorkshire Council
East Sussex Pension Fund
Enfield LB
Falkirk Council
Greater Gwent Fund
Greater Manchester Pension Fund
Greenwich Pension Fund RB
Gwynedd Pension Fund
Hackney LB
Hampshire Pension Fund
Haringey LB
Harrow LB
Hounslow LB
Islington LB
Lancashire County Pension Fund
Lambeth LB
Lewisham LB

Lincolnshire CC
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Newham LB
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire CC Pension Fund
Northamptonshire CC
NILGOSC
Nottinghamshire CC
Rhondda Cynon Taf
Sheffield City Region Combined
Authority
Shropshire Council
Somerset CC
South Yorkshire Pensions Authority
Southwark LB
Staffordshire Pension Fund
Surrey CC
Teesside Pension Fund
Tower Hamlets LB
Tyne and Wear Pension Fund
Waltham Forest LB
Wandsworth LB
Warwickshire Pension Fund
West Midlands PTA Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Wiltshire CC
Worcestershire CC

Report prepared by PIRC Ltd. for the Local Authority Pension Fund Forum

PIRC

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NORTH EAST SCOTLAND PENSION FUND QUARTERLY VOTING REPORT

OVERVIEW

1. The Pension Fund received voting recommendations for **380** resolutions at **26** meetings in the quarter ended **2014-09-30**.
2. The Pension Fund supported **277** of the resolution (**72.89%**).
3. The Pension Fund voted against on **65** occasions (**17.11%**).
4. The Pension Fund abstained on **38** occasions (**10.0%**).
5. There were **0** non-voting agenda items (**0.0%**).
6. There were **0** withheld agenda items (**0.0%**).
7. There were **0** not supported agenda items (**0.0%**).

TABLE 1: GEOGRAPHIC VOTING OVERVIEW

Geographic Region	Meeting	Resolutions	For	Oppose	Abstain	Withheld	Say When on Pay	Non-Voting
SOUTH AND CENTRAL AMERICA	0	0	0	0	0	0	0	0
REST OF THE WORLD	0	0	0	0	0	0	0	0
ASIA	3	14	8	5	1	0	0	0
NORTH AMERICA	1	9	1	4	4	0	0	0
UK	21	346	259	54	33	0	0	0
EU	1	11	9	2	0	0	0	0
JAPAN	0	0	0	0	0	0	0	0

TABLE 2: ANALYSIS OF UK ALLSHARE VOTING RECOMMENDATIONS

Resolution Type	For	Percentage %	Abstain	Percentage %	Oppose	Percentage %	Total
Annual Reports	15	88.24	0	0.0	2	11.76	17
Remuneration Reports	7	41.18	6	35.29	4	23.53	17
Articles of Association	2	66.67	0	0.0	1	33.33	3
Auditors Appointment	4	23.53	10	58.82	3	17.65	17
Directors	125	79.62	13	8.28	19	12.1	157
Dividend	12	100.0	0	0.0	0	0.0	12
Executive Pay Scheme	1	11.11	0	0.0	8	88.89	9

TABLE 3: SIGNIFICANT OPPOSE VOTES

Company	Date	Type	Proposal	Recommendation	%Oppose
COBHAM PLC	02/07/2014	EGM	Approve the Acquisition	For	0.042154561
STRATASYS LTD	10/07/2014	AGM	Elect Ms Ziva Patir	For	Not Disclosed
STRATASYS LTD	10/07/2014	AGM	Approve a Cash Bonus Of 1,880,800 New Israeli Shekels ("Nis") (Approximately \$541,550) To Be Paid To Mr. David Reis, Our Chief Executive Officer And A Director, In Respect Of His Performance For The Year Ended December 31, 2013.	Abstain	Not Disclosed
STRATASYS LTD	10/07/2014	AGM	Approve a Cash Bonus Of \$177,716 To Be Paid To Mr. S. Scott Crump, Our Chairman And Chief Innovation Officer, In Respect Of His Performance For The Year Ended December 31, 2013.	Abstain	Not Disclosed
STRATASYS LTD	10/07/2014	AGM	Approve a Cash Bonus Of Nis 574,500 (Approximately \$165,420) To Be Paid To Mr. Ilan Levin, A Director And Chairman Of Baccio Corporation, The Parent Entity Of Our Makerbot Group Of Companies, In Respect Of His Performance For The Year Ended December 31, 2013.	Abstain	Not Disclosed
STRATASYS LTD	10/07/2014	AGM	Approve the Terms Of A Grant Of Options To Purchase 22,000 Ordinary Shares, Nominal Value Nis 0.01 Per Share, Of Stratasy Ltd. To Mr. Edward J. Fierko As Director Of The Company.	Oppose	Not Disclosed
STRATASYS LTD	10/07/2014	AGM	Approve The Terms Of A Grant Of Options To Purchase 22,000 Ordinary Shares, Nominal Value Nis 0.01 Per Share, Of Stratasy Ltd. To Mr. John J. Mceleney As Director Of The Company.	Oppose	Not Disclosed

STRATASYS LTD	10/07/2014	AGM	Approve The Terms Of A Grant Of Options To Purchase 22,000 Ordinary Shares, Nominal Value Nis 0.01 Per Share, Of Stratasys Ltd. To Mr. Clifford H. Schwietzer As Director Of The Company.	Oppose	Not Disclosed
STRATASYS LTD	10/07/2014	AGM	Approve Of An Increase In The Coverage Under The Company'S Directors And Officers Liability Insurance Policy To Aggregate Maximum Coverage Of \$80 Million.	Abstain	Not Disclosed
STRATASYS LTD	10/07/2014	AGM	Appoint the auditors	Oppose	Not Disclosed
BURBERRY GROUP PLC	11/07/2014	AGM	Receive the Annual Report	For	0.194506814
BURBERRY GROUP PLC	11/07/2014	AGM	Approve Remuneration Policy	Oppose	15.54813473
BURBERRY GROUP PLC	11/07/2014	AGM	Approve the Remuneration Report	For	52.3414954
BURBERRY GROUP PLC	11/07/2014	AGM	Approve the dividend	For	0.000201003
BURBERRY GROUP PLC	11/07/2014	AGM	To re-elect Sir John Peace	Oppose	2.183006546
BURBERRY GROUP PLC	11/07/2014	AGM	To re-elect Philip Bowman	Oppose	2.985670179
BURBERRY GROUP PLC	11/07/2014	AGM	To re-elect Ian Carter	For	5.566444975
BURBERRY GROUP PLC	11/07/2014	AGM	To elect Jeremy Darroch	For	6.608436321
BURBERRY GROUP PLC	11/07/2014	AGM	To re-elect Stephanie George	For	0.7033350485
BURBERRY GROUP PLC	11/07/2014	AGM	To elect Matthew Key	For	0.064839593
BURBERRY GROUP PLC	11/07/2014	AGM	To re-elect David Tyler	Oppose	2.25212792
BURBERRY GROUP PLC	11/07/2014	AGM	To elect Christopher Bailey	For	0.645420367
BURBERRY GROUP PLC	11/07/2014	AGM	To re-elect Carol Fairweather	For	0.676304007
BURBERRY GROUP PLC	11/07/2014	AGM	To re-elect John Smith	For	0.658998832
BURBERRY GROUP PLC	11/07/2014	AGM	Appoint the auditors	Abstain	0.305971905
BURBERRY GROUP PLC	11/07/2014	AGM	Allow the board to determine the auditors remuneration	For	0.336186652
BURBERRY GROUP PLC	11/07/2014	AGM	Approve new executive share option scheme/plan	Oppose	8.789768461
BURBERRY GROUP PLC	11/07/2014	AGM	Approve Political Donations	For	1.326549561
BURBERRY GROUP PLC	11/07/2014	AGM	Issue shares with pre-emption rights	For	1.441156818
BURBERRY GROUP PLC	11/07/2014	AGM	Issue shares for cash	For	1.724879913

BURBERRY GROUP PLC	11/07/2014	AGM	Authorise Share Repurchase	For	0.09768682
BURBERRY GROUP PLC	11/07/2014	AGM	Meeting notification related proposal	For	7.557960158
AVEVA GROUP PLC	14/07/2014	AGM	Receive the Annual Report	For	0.443227541
AVEVA GROUP PLC	14/07/2014	AGM	Approve the Remuneration Report	For	2.501760321
AVEVA GROUP PLC	14/07/2014	AGM	Approve Remuneration Policy	Oppose	2.683005987
AVEVA GROUP PLC	14/07/2014	AGM	Approve the dividend	For	0
AVEVA GROUP PLC	14/07/2014	AGM	To elect Jennifer Allerton	For	0.098943596
AVEVA GROUP PLC	14/07/2014	AGM	To re-elect Philip Aiken	Oppose	0.750855229
AVEVA GROUP PLC	14/07/2014	AGM	To re-elect Richard Longdon	For	0.09762299
AVEVA GROUP PLC	14/07/2014	AGM	To re-elect James Kidd	For	0.09762299
AVEVA GROUP PLC	14/07/2014	AGM	To re-elect Jonathan Brooks	For	0.09958126
AVEVA GROUP PLC	14/07/2014	AGM	To re-elect Philip Dayer	For	0.159242479
AVEVA GROUP PLC	14/07/2014	AGM	Appoint the auditors	Abstain	0.0023335587
AVEVA GROUP PLC	14/07/2014	AGM	Allow the board to determine the auditors remuneration	For	0.077964822
AVEVA GROUP PLC	14/07/2014	AGM	Authorise Share Repurchase	For	0.05272049
AVEVA GROUP PLC	14/07/2014	AGM	Issue shares with pre-emption rights	For	1.668563403
AVEVA GROUP PLC	14/07/2014	AGM	Issue shares for cash	For	0.256793779
AVEVA GROUP PLC	14/07/2014	AGM	Meeting notification related proposal	For	3.181008564
AVEVA GROUP PLC	14/07/2014	AGM	Approve new long term incentive plan	Oppose	3.422751145
AVEVA GROUP PLC	14/07/2014	AGM	Change the limit on Directors' fees	Abstain	0.481864708
INDITEX (INDUSTRIAS DE DISENO TEXTIL) SA	15/07/2014	AGM	Approve Standalone Financial Statements	For	Not Disclosed
INDITEX (INDUSTRIAS DE DISENO TEXTIL) SA	15/07/2014	AGM	Approve Consolidated Financial Statements and Discharge of Board	For	Not Disclosed
INDITEX (INDUSTRIAS DE DISENO TEXTIL) SA	15/07/2014	AGM	Approve Allocation of Income and Dividends	For	Not Disclosed
INDITEX (INDUSTRIAS DE DISENO TEXTIL) SA	15/07/2014	AGM	Approve share split	For	Not Disclosed

INDITEX (INDUSTRIAS DE DISEÑO TEXTIL) SA	15/07/2014	AGM	Amend Article 17.1 Re: Meeting Notice of General Meetings	For	Not Disclosed
INDITEX (INDUSTRIAS DE DISEÑO TEXTIL) SA	15/07/2014	AGM	Amend Article 27.1 Re: Election and Term of Directors	For	Not Disclosed
INDITEX (INDUSTRIAS DE DISEÑO TEXTIL) SA	15/07/2014	AGM	Amend Article 8.1 of General Meeting Regulations Re: Meeting Notice	For	Not Disclosed
INDITEX (INDUSTRIAS DE DISEÑO TEXTIL) SA	15/07/2014	AGM	Re-elect Carlos Espinosa de los Monteros Bernaldo de Quirós	Oppose	Not Disclosed
INDITEX (INDUSTRIAS DE DISEÑO TEXTIL) SA	15/07/2014	AGM	Elect Rodrigo Echenique Gordillo	For	Not Disclosed
INDITEX (INDUSTRIAS DE DISEÑO TEXTIL) SA	15/07/2014	AGM	Approve the Remuneration Report	Oppose	Not Disclosed
INDITEX (INDUSTRIAS DE DISEÑO TEXTIL) SA	15/07/2014	AGM	Authorize Board to Ratify and Execute Approved Resolutions	For	Not Disclosed
EXPERIAN PLC	16/07/2014	AGM	Receive the Annual Report	Oppose	1.4056685945
EXPERIAN PLC	16/07/2014	AGM	Approve the Remuneration Report	Oppose	13.66860585
EXPERIAN PLC	16/07/2014	AGM	Approve Remuneration Policy	Oppose	12.39381008
EXPERIAN PLC	16/07/2014	AGM	To elect Jan Babiak	For	0.290618773
EXPERIAN PLC	16/07/2014	AGM	To re-elect Fabiola Arredondo	For	0.865268964
EXPERIAN PLC	16/07/2014	AGM	To re-elect Brian Cassin	For	0.136722509
EXPERIAN PLC	16/07/2014	AGM	To re-elect Roger Davis	For	1.198300144
EXPERIAN PLC	16/07/2014	AGM	To re-elect Alan Jebson	For	1.159838169
EXPERIAN PLC	16/07/2014	AGM	To re-elect Deirdre Mahlan	Abstain	5.308627167
EXPERIAN PLC	16/07/2014	AGM	To re-elect Don Robert	Oppose	8.797377793
EXPERIAN PLC	16/07/2014	AGM	To re-elect George Rose	Oppose	2.105632358
EXPERIAN PLC	16/07/2014	AGM	To re-elect Judith Sprieser	For	1.743068777
EXPERIAN PLC	16/07/2014	AGM	To re-elect Paul Walker	For	2.234904536
EXPERIAN PLC	16/07/2014	AGM	Appoint the auditors	Abstain	2.049250383
EXPERIAN PLC	16/07/2014	AGM	Allow the board to determine the auditors remuneration	For	2.02998476

EXPERIAN PLC	16/07/2014	AGM	Issue shares with pre-emption rights	For	2.838757103
EXPERIAN PLC	16/07/2014	AGM	Issue shares for cash	For	0.790657081
EXPERIAN PLC	16/07/2014	AGM	Authorise Share Repurchase	For	0.080169204
3i GROUP PLC	17/07/2014	AGM	Receive the Annual Report	For	0.055279594
3i GROUP PLC	17/07/2014	AGM	Approve the Remuneration Report	Abstain	1.434798408
3i GROUP PLC	17/07/2014	AGM	Approve Remuneration Policy	Oppose	1.893186679
3i GROUP PLC	17/07/2014	AGM	Approve the dividend	For	0.021739012
3i GROUP PLC	17/07/2014	AGM	Re-elect Jonathan Asquith	For	1.20355178
3i GROUP PLC	17/07/2014	AGM	Re-elect Simon Borrows	For	3.725182302
3i GROUP PLC	17/07/2014	AGM	Re-elect Alistair Cox	For	0.340715955
3i GROUP PLC	17/07/2014	AGM	Elect David Hutchison	For	0.041074133
3i GROUP PLC	17/07/2014	AGM	Re-elect Sir Adrian Montague	Abstain	0.43146879
3i GROUP PLC	17/07/2014	AGM	Re-elect Martine Verluyten	For	0.346370306
3i GROUP PLC	17/07/2014	AGM	Re-elect Julia Wilson	For	0.254752756
3i GROUP PLC	17/07/2014	AGM	Appoint the auditors	Abstain	0.397112907
3i GROUP PLC	17/07/2014	AGM	Allow the board to determine the auditors remuneration	For	0.159876092
3i GROUP PLC	17/07/2014	AGM	Adopt the Revised Investment Policy	For	0.06109949
3i GROUP PLC	17/07/2014	AGM	Approve Political Donations	For	3.91765414
3i GROUP PLC	17/07/2014	AGM	Issue shares with pre-emption rights	For	2.322527812
3i GROUP PLC	17/07/2014	AGM	Issue shares for cash	For	0.070926524
3i GROUP PLC	17/07/2014	AGM	Authorise Share Repurchase	For	0.078013551
3i GROUP PLC	17/07/2014	AGM	Meeting notification related proposal	For	7.628659875
SSE PLC	17/07/2014	AGM	Receive the Annual Report	For	0.023434481
SSE PLC	17/07/2014	AGM	Approve Remuneration Policy	Abstain	0.862224352
SSE PLC	17/07/2014	AGM	Approve the Remuneration Report	For	2.308972476
SSE PLC	17/07/2014	AGM	Approve the dividend	For	0.230536356
SSE PLC	17/07/2014	AGM	Re-appoint Lord Smith of Kelvin	For	0.718239282
SSE PLC	17/07/2014	AGM	Re-appoint Alistair Phillips-Davies	For	4.731963348

SSE PLC	17/07/2014	AGM	Re-appoint Gregor Alexander	For	2.098209309
SSE PLC	17/07/2014	AGM	Re-appoint Jeremy Beeton	For	0.53324912
SSE PLC	17/07/2014	AGM	Re-appoint Katie Bickerstaffe	For	0.527765185
SSE PLC	17/07/2014	AGM	Re-appoint Sue Bruce	For	0.19952995
SSE PLC	17/07/2014	AGM	Re-appoint Richard Gillingwater	For	3.784291182
SSE PLC	17/07/2014	AGM	Re-appoint Peter Lynas	For	0.361691336
SSE PLC	17/07/2014	AGM	Appoint the auditors	Abstain	1.297645037
SSE PLC	17/07/2014	AGM	Allow the board to determine the auditors remuneration	For	1.13388787
SSE PLC	17/07/2014	AGM	Issue shares with pre-emption rights	For	16.15375533
SSE PLC	17/07/2014	AGM	Issue shares for cash	For	2.041998953
SSE PLC	17/07/2014	AGM	Authorise Share Repurchase	For	0.340187655
SSE PLC	17/07/2014	AGM	Meeting notification related proposal	For	10.35674832
JOHNSON MATTHEY PLC	23/07/2014	AGM	Receive the Annual Report	For	0.12342916
JOHNSON MATTHEY PLC	23/07/2014	AGM	Approve the Remuneration Report	Abstain	0.917142175
JOHNSON MATTHEY PLC	23/07/2014	AGM	Approve Remuneration Policy	Oppose	2.389949445
JOHNSON MATTHEY PLC	23/07/2014	AGM	Approve the dividend	For	0.002194861
JOHNSON MATTHEY PLC	23/07/2014	AGM	To elect Mr JF Walker	For	2.35688516
JOHNSON MATTHEY PLC	23/07/2014	AGM	To elect Mr DG Jones	For	2.252391229
JOHNSON MATTHEY PLC	23/07/2014	AGM	To re-elect Mr TEP Stevenson	Oppose	2.220139024
JOHNSON MATTHEY PLC	23/07/2014	AGM	To re-elect Mr NAP Carson	For	2.362954453
JOHNSON MATTHEY PLC	23/07/2014	AGM	To re-elect Ms O Desforges	For	0.807197336
JOHNSON MATTHEY PLC	23/07/2014	AGM	To re-elect Mr AM Ferguson	For	0.806468914
JOHNSON MATTHEY PLC	23/07/2014	AGM	To re-elect Mr RJ MacLeod	For	2.252067098
JOHNSON MATTHEY PLC	23/07/2014	AGM	To re-elect Mr CS Matthews	For	0.529150823
JOHNSON MATTHEY PLC	23/07/2014	AGM	To re-elect Mr LC Pentz	For	2.363309825
JOHNSON MATTHEY PLC	23/07/2014	AGM	To re-elect Mrs DC Thompson	For	0.530499575
JOHNSON MATTHEY PLC	23/07/2014	AGM	Appoint the auditors	For	0.670202594
JOHNSON MATTHEY PLC	23/07/2014	AGM	Allow the board to determine the auditors remuneration	For	0.372477692

JOHNSON MATTHEY PLC	23/07/2014	AGM	Approve Political Donations	For	1.333820478
JOHNSON MATTHEY PLC	23/07/2014	AGM	Issue shares with pre-emption rights	For	7.278610959
JOHNSON MATTHEY PLC	23/07/2014	AGM	Issue shares for cash	For	0.251399295
JOHNSON MATTHEY PLC	23/07/2014	AGM	Authorise Share Repurchase	For	0.142352514
JOHNSON MATTHEY PLC	23/07/2014	AGM	Meeting notification related proposal	For	7.412187046
SABMiller PLC	24/07/2014	AGM	Receive the Annual Report	Oppose	1.164057802
SABMiller PLC	24/07/2014	AGM	Approve the Remuneration Report	Abstain	4.616039234
SABMiller PLC	24/07/2014	AGM	Approve Remuneration Policy	Oppose	6.685313506
SABMiller PLC	24/07/2014	AGM	To re-elect Mr M H Armour	For	0.371721118
SABMiller PLC	24/07/2014	AGM	To re-elect Mr G C Bible	Oppose	4.229279144
SABMiller PLC	24/07/2014	AGM	To re-elect Mr A J Clark	For	2.055260602
SABMiller PLC	24/07/2014	AGM	To re-elect Mr D S Devitre	Oppose	7.078667306
SABMiller PLC	24/07/2014	AGM	To re-elect Mr G R Elliott	For	0.327112712
SABMiller PLC	24/07/2014	AGM	To re-elect Ms L M S Knox	For	0.432540526
SABMiller PLC	24/07/2014	AGM	To re-elect Mr P J Manser	Abstain	1.229216257
SABMiller PLC	24/07/2014	AGM	To re-elect Mr J A Manzoni	Oppose	1.33637095
SABMiller PLC	24/07/2014	AGM	To re-elect Dr D F Moyo	For	0.152763552
SABMiller PLC	24/07/2014	AGM	To re-elect Mr C A PÃ©rez DÃ¡vila	Oppose	4.158985533
SABMiller PLC	24/07/2014	AGM	To re-elect Mr A Santo Domingo DÃ¡vila	Oppose	4.214635869
SABMiller PLC	24/07/2014	AGM	To re-elect Ms H A Weir	For	0.313830421
SABMiller PLC	24/07/2014	AGM	To re-elect Mr H A Willard	Oppose	4.204369151
SABMiller PLC	24/07/2014	AGM	To re-elect Mr J S Wilson	For	2.5395668539
SABMiller PLC	24/07/2014	AGM	Approve the dividend	For	0.004107193
SABMiller PLC	24/07/2014	AGM	Appoint the auditors	Abstain	1.166191622
SABMiller PLC	24/07/2014	AGM	Allow the board to determine the auditors remuneration	For	0.740439469
SABMiller PLC	24/07/2014	AGM	Issue shares with pre-emption rights	For	4.650165612
SABMiller PLC	24/07/2014	AGM	Approve Employee Share Purchase Plan	For	0.066235939
SABMiller PLC	24/07/2014	AGM	Approve Sharesave plan	For	1.219742006

SABMiller PLC	24/07/2014	AGM	Establish Supplements or Appendices to the Employee Share Purchase Plan Management or the Sharesave Plan	For	0.275699882
SABMiller PLC	24/07/2014	AGM	Issue shares for cash	For	4.792089966
SABMiller PLC	24/07/2014	AGM	Authorise Share Repurchase	For	0.847102892
SABMiller PLC	24/07/2014	AGM	Meeting notification related proposal	For	8.167289568
HELICAL BAR PLC	25/07/2014	AGM	Receive the Annual Report	For	0.000310686
HELICAL BAR PLC	25/07/2014	AGM	Approve the dividend	For	0
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr N. G. McNair Scott	Abstain	12.56073608
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr M. E. Slade	For	3.136079187
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr T. J. Murphy	For	3.25090428
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr G. A. Kaye	For	3.275056331
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr M. C. Bonning-Snook	For	3.275056331
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr J. S. Pitman	For	3.275056331
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr D. C. E. Walker	For	3.275056331
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr R. D. Gillingwater	Abstain	3.830567445
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr R. J. Grant	For	1.321421692
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr A. E. G. Gulliford	For	1.321421692
HELICAL BAR PLC	25/07/2014	AGM	To re-elect Mr M. K. O'Donnell	For	1.321421692
HELICAL BAR PLC	25/07/2014	AGM	Appoint the auditors	For	0.001490219
HELICAL BAR PLC	25/07/2014	AGM	Allow the board to determine the auditors remuneration	For	0.000310686
HELICAL BAR PLC	25/07/2014	AGM	Approve the Remuneration Report	Oppose	25.18721001
HELICAL BAR PLC	25/07/2014	AGM	Approve Remuneration Policy	Oppose	7.580325579
HELICAL BAR PLC	25/07/2014	AGM	Issue shares with pre-emption rights	For	8.312646765
HELICAL BAR PLC	25/07/2014	AGM	Issue shares for cash	For	0.007858202
HELICAL BAR PLC	25/07/2014	AGM	Authorise Share Repurchase	For	0.008983098
HELICAL BAR PLC	25/07/2014	AGM	Adopt new Articles of Association	Oppose	0.282345668
HELICAL BAR PLC	25/07/2014	AGM	Meeting notification related proposal	For	3.764487883
HELICAL BAR PLC	25/07/2014	AGM	Approve new long term incentive plan	Oppose	5.568624882

SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Adopt Financial Statements and Directors' and Auditors' Reports	For	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Approve the dividend	For	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Elect Peter Ong Book Kwee	For	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Elect Low Check Kian	For	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Elect Christina Hon Kwee Fong	For	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Approve Directors' Fees	For	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Appoint the auditors and allow the board to determine their remuneration	Abstain	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Approve general share issue mandate	For	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	AGM	Approve Issuance of Shares and Grant of Awards Pursuant to the SingTel Performance Share Plan 2012	Oppose	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	EGM	Authorise Share Repurchase	For	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	EGM	Approve Alterations to the SingTel Performance Share Plan 2012	Oppose	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	EGM	Approve Participation by the Relevant Executive Director in the SingTel Performance Share Plan 2012	Oppose	Not Disclosed
SINGAPORE TELECOMMUNICATIONS	25/07/2014	EGM	Approve Participation by the Relevant Non-Executive Director in the SingTel Performance Share Plan 2012	Oppose	Not Disclosed
VODAFONE GROUP PLC	29/07/2014	AGM	Receive the Annual Report	For	0.066609777
VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Gerard Kleisterlee	For	1.307338991
VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Vittorio Colao	For	0.192519837
VODAFONE GROUP PLC	29/07/2014	AGM	To elect Nick Read	For	1.199869332

VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Stephen Pusey	For	0.73072772
VODAFONE GROUP PLC	29/07/2014	AGM	To elect Sir Crispin Davis	For	0.478481342
VODAFONE GROUP PLC	29/07/2014	AGM	To elect Dame Clara Furse	For	0.477643006
VODAFONE GROUP PLC	29/07/2014	AGM	To elect Valerie Gooding	For	0.669577824
VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Renee James	Abstain	1.120203903
VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Samuel Jonah	Abstain	1.240005093
VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Omid Kordestani	For	0.539846387
VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Nick Land	For	0.753895178
VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Luc Vandevelde	For	0.99249251
VODAFONE GROUP PLC	29/07/2014	AGM	To re-elect Philip Yea	For	0.847211974
VODAFONE GROUP PLC	29/07/2014	AGM	Approve the dividend	For	0.055735046
VODAFONE GROUP PLC	29/07/2014	AGM	Approve Remuneration Policy	Oppose	3.980744083
VODAFONE GROUP PLC	29/07/2014	AGM	Approve the Remuneration Report	Abstain	2.62831206
VODAFONE GROUP PLC	29/07/2014	AGM	To approve the Vodafone Global Incentive Plan rules	Oppose	4.5755529
VODAFONE GROUP PLC	29/07/2014	AGM	Appoint the auditors	Oppose	1.508571789
VODAFONE GROUP PLC	29/07/2014	AGM	Allow the board to determine the auditors remuneration	For	0.225104364
VODAFONE GROUP PLC	29/07/2014	AGM	Issue shares with pre-emption rights	For	6.554145583
VODAFONE GROUP PLC	29/07/2014	AGM	Issue shares for cash	For	1.815624923
VODAFONE GROUP PLC	29/07/2014	AGM	Authorise Share Repurchase	For	0.264646695
VODAFONE GROUP PLC	29/07/2014	AGM	Approve Political Donations	For	2.466098014
VODAFONE GROUP PLC	29/07/2014	AGM	Meeting notification related proposal	For	10.59861635
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Receive the Annual Report	For	0.3505776
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Approve Remuneration Policy	Oppose	3.937935659
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Approve the Remuneration Report	Oppose	8.32952787
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect A W Pidgley	Oppose	5.242267926

BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect R C Perrins	For	1.250310737
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect N G Simpkin	For	1.252869803
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect G J Fry	For	1.253958706
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect K Whiteman	For	1.253958706
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect S Ellis	For	1.253880721
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect Sir J A Armitt	For	3.725374285
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect A Nimmo	For	0.323754583
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect V Wadley	For	0.328152557
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To re-elect G Barker	For	4.176141533
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To elect A Li	For	2.236239532
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To elect A Myers	For	0.274398692
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To elect D Brightmore-Armour	For	0.005951898
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Appoint the auditors	For	0.250171326
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Allow the board to determine the auditors remuneration	For	0.122518414
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Issue shares with pre-emption rights	For	1.563807875

BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Issue shares for cash		For	0.451148508
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Authorise Share Repurchase		For	0.820597535
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Approve Political Donations		For	1.066143672
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Meeting notification related proposal		For	5.389397803
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	To approve the substantial property transaction involving G J Fry		Oppose	2.385134256
BERKELEY GROUP HLDGS PLC	01/09/2014	AGM	Approve a new bonus plan		Oppose	4.925457863
ASHTHEAD GROUP PLC	03/09/2014	AGM	Receive the Annual Report		For	0.377671644
ASHTHEAD GROUP PLC	03/09/2014	AGM	Approve the Remuneration Report		Abstain	28.24894206
ASHTHEAD GROUP PLC	03/09/2014	AGM	Approve Remuneration Policy		Oppose	3.075828427
ASHTHEAD GROUP PLC	03/09/2014	AGM	Approve the dividend		For	0
ASHTHEAD GROUP PLC	03/09/2014	AGM	Re-elect Chris Cole		Oppose	7.657528487
ASHTHEAD GROUP PLC	03/09/2014	AGM	Re-elect Geoff Drabble		For	9.054885509
ASHTHEAD GROUP PLC	03/09/2014	AGM	Re-elect Brendan Horgan		For	1.944299429
ASHTHEAD GROUP PLC	03/09/2014	AGM	Re-elect Sat Dhaiwal		For	1.94895233
ASHTHEAD GROUP PLC	03/09/2014	AGM	Re-elect Suzanne Wood		For	2.066004058
ASHTHEAD GROUP PLC	03/09/2014	AGM	Re-elect Michael Burrow		For	0.504474346
ASHTHEAD GROUP PLC	03/09/2014	AGM	Re-elect Bruce Edwards		For	0.384078631
ASHTHEAD GROUP PLC	03/09/2014	AGM	Re-elect Ian Sutcliffe		For	0.406985407
ASHTHEAD GROUP PLC	03/09/2014	AGM	Elect Wayne Edmunds		For	0.152831795
ASHTHEAD GROUP PLC	03/09/2014	AGM	Appoint the auditors		Abstain	0.049063978
ASHTHEAD GROUP PLC	03/09/2014	AGM	Allow the board to determine the auditors remuneration		For	0.055658084
ASHTHEAD GROUP PLC	03/09/2014	AGM	Approve new long term incentive plan		Oppose	10.78356898
ASHTHEAD GROUP PLC	03/09/2014	AGM	Issue shares with pre-emption rights		For	7.048742983

ASHTHEAD GROUP PLC	03/09/2014	AGM	Issue shares for cash	For	0.132296108
ASHTHEAD GROUP PLC	03/09/2014	AGM	Authorise Share Repurchase	For	4.180686544
ASHTHEAD GROUP PLC	03/09/2014	AGM	Meeting notification related proposal	For	5.401019036
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Receive the Annual Report	For	1.115684973
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Approve the dividend	For	0
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	To re-elect Nigel Keen	Oppose	2.44606901
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	To re-elect Jonathan Flint	For	1.000023008
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	To re-elect Kevin Boyd	For	1.000023008
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	To re-elect Jock Lennox	For	1.155486884
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	To re-elect Thomas Geitner	Abstain	0.870870441
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	To re-elect Jennifer Allerton	Abstain	0.856854241
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Appoint the auditors	For	0.04099343
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Allow the board to determine the auditors remuneration	For	0.00827483
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Approve Remuneration Policy	Oppose	1.162140788
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Approve the Remuneration Report	For	0.361462735
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Issue shares with pre-emption rights	For	12.45433891

OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Issue shares for cash		For	0.014883414
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Authorise Share Repurchase		For	0.02532742
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Meeting notification related proposal		For	4.619635
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Amend Articles		For	0.010932835
OXFORD INSTRUMENTS PLC	09/09/2014	AGM	Approve new long term incentive plan		Oppose	2.194524506
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Receive the Annual Report		For	0.000104521
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Approve the Remuneration Report		Abstain	2.103200855
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Approve Remuneration Policy		Oppose	12.18703915
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Re-elect Keith Hellawell		For	6.728526312
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Re-elect Mike Ashley		Oppose	11.87500939
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Re-elect Simon Bentley		For	2.085970771
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Re-elect Dave Forsey		For	0.023809797
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Re-elect Dave Singleton		For	5.312513311
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Re-elect Claire Jenkins		Abstain	0.22439479
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Appoint the auditors		Abstain	0.282661701

SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Allow the board to determine the auditors remuneration	For	0.249077588
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Issue shares with pre-emption rights	For	0.066211283
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Issue additional shares with pre-emption rights	For	1.562961777
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Issue shares for cash	For	0.262926575
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Authorise Share Repurchase	For	0.003181806
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Meeting notification related proposal	For	1.514594503
SPORTS DIRECT INTERNATIONAL PLC	10/09/2014	AGM	Approve Political Donations	For	0.040532782
ABERDEEN GLOBAL SICAV - ASIA PACIFIC EQUITY FUND	15/09/2014	EGM	Elect Lynn Birdsong	For	Not Disclosed
ABERDEEN GLOBAL SICAV - ASIA PACIFIC EQUITY FUND	15/09/2014	EGM	Elect Ronaldo A. Da Frota Nogueira	For	Not Disclosed
ABERDEEN GLOBAL SICAV - EMERGING MARKETS EQUITY FUND	15/09/2014	EGM	Elect Lynn Birdsong	For	Not Disclosed
ABERDEEN GLOBAL SICAV - EMERGING MARKETS EQUITY FUND	15/09/2014	EGM	Elect Ronaldo A. Da Frota Nogueira	For	Not Disclosed
ABERDEEN GLOBAL SICAV - JAPANESE EQUITY FUND, LUXE	15/09/2014	EGM	Elect Lynn Birdsong	For	Not Disclosed
ABERDEEN GLOBAL SICAV - JAPANESE EQUITY FUND, LUXE	15/09/2014	EGM	Elect Ronaldo A. Da Frota Nogueira	For	Not Disclosed

NCC GROUP PLC	16/09/2014	AGM	Receive the Annual Report	For	0.005214445
NCC GROUP PLC	16/09/2014	AGM	Approve the Remuneration Report	For	0.043978628
NCC GROUP PLC	16/09/2014	AGM	Approve Remuneration Policy	Abstain	0.048272433
NCC GROUP PLC	16/09/2014	AGM	Approve the dividend	For	0.005214445
NCC GROUP PLC	16/09/2014	AGM	Appoint the auditors: KPMG LLP	Abstain	0.0233337538
NCC GROUP PLC	16/09/2014	AGM	Allow the board to determine the auditors remuneration	For	0.009361087
NCC GROUP PLC	16/09/2014	AGM	To re-elect Rob Cotton	For	0.175900026
NCC GROUP PLC	16/09/2014	AGM	To re-elect Paul Mitchell	For	1.218528848
NCC GROUP PLC	16/09/2014	AGM	To re-elect Debbie Hewitt	For	0.0099665383
NCC GROUP PLC	16/09/2014	AGM	To re-elect Thomas Chambers	For	0.286653096
NCC GROUP PLC	16/09/2014	AGM	To re-elect Atul Patel	For	0.005214445
NCC GROUP PLC	16/09/2014	AGM	Issue shares with pre-emption rights	For	8.691603498
NCC GROUP PLC	16/09/2014	AGM	Issue shares for cash	For	1.871229598
NCC GROUP PLC	16/09/2014	AGM	Authorise Share Repurchase	For	0.050084163
NCC GROUP PLC	16/09/2014	AGM	Meeting notification related proposal	For	4.018049557
NCC GROUP PLC	16/09/2014	AGM	Amend existing long term incentive plan	For	0.0099665383
DIAGEO PLC	18/09/2014	AGM	Receive the Annual Report	For	1.134742055
DIAGEO PLC	18/09/2014	AGM	Approve the Remuneration Report	Oppose	2.933710773
DIAGEO PLC	18/09/2014	AGM	Approve Remuneration Policy	Oppose	2.508109982
DIAGEO PLC	18/09/2014	AGM	Approve the dividend	For	0.025924955
DIAGEO PLC	18/09/2014	AGM	Re-elect PB Bruzelius	Abstain	1.357147414
DIAGEO PLC	18/09/2014	AGM	Re-elect LM Danon	For	0.405710985
DIAGEO PLC	18/09/2014	AGM	Re-elect Lord Davies	For	0.546052504
DIAGEO PLC	18/09/2014	AGM	Re-elect Ho KwonPing	For	4.470921944
DIAGEO PLC	18/09/2014	AGM	Re-elect BD Holden	For	0.726204873
DIAGEO PLC	18/09/2014	AGM	Re-elect Dr FB Humer	For	0.433393104
DIAGEO PLC	18/09/2014	AGM	Re-elect D Mahlan	For	0.384861095
DIAGEO PLC	18/09/2014	AGM	Re-elect I Menezes	For	0.044007619

DIAGEO PLC	18/09/2014	AGM	Re-elect PG Scott	For	0.323681651
DIAGEO PLC	18/09/2014	AGM	Elect NS Mendelsohn	For	0.325950669
DIAGEO PLC	18/09/2014	AGM	Elect AJH Stewart	For	0.322979659
DIAGEO PLC	18/09/2014	AGM	Appoint the auditors: KPMG LLP	Abstain	0.481676837
DIAGEO PLC	18/09/2014	AGM	Allow the board to determine the auditors remuneration	For	0.167021068
DIAGEO PLC	18/09/2014	AGM	Issue shares with pre-emption rights	For	2.148576876
DIAGEO PLC	18/09/2014	AGM	Issue shares for cash	For	1.696076203
DIAGEO PLC	18/09/2014	AGM	Authorise Share Repurchase	For	0.086151152
DIAGEO PLC	18/09/2014	AGM	Approve Political Donations	Oppose	2.738491667
DIAGEO PLC	18/09/2014	AGM	Approve new long term incentive plan	Oppose	3.143382497
CTRIP.COM INTL LTD	19/09/2014	AGM	Amend Articles: Increase authorised share capital.	Oppose	Not Disclosed
IMAGINATION TECHNOLOGIES GROUP PLC					
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Approve Remuneration Policy	Oppose	1.426880054
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Receive the Annual Report	For	1.011438168
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Approve the Remuneration Report	For	0.987017084
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	To elect Kate Rock	For	0.009672175
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	To re-elect Geoff Shingles	Oppose	4.399583037
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	To re-elect Sir Hossein Yassaie	For	1.840199499

IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	To re-elect Richard Smith	For	0.171344426
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	To re-elect David Anderson	For	0.530663981
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	To re-elect Gilles Delfassy	Abstain	0.604005907
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	To re-elect Andrew Heath	Abstain	0.665978978
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	To re-elect Ian Pearson	For	0.128818674
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Appoint the auditors: KPMG LLP	Oppose	1.269764485
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Allow the board to determine the auditors remuneration	For	0.017062248
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Issue shares with pre-emption rights	For	16.46924227
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Issue shares for cash	For	0.114306362
IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Authorise Share Repurchase	For	0.023495517

IMAGINATION TECHNOLOGIES GROUP PLC	19/09/2014	AGM	Meeting notification related proposal	For	3.345847616
VECTURA GROUP PLC	19/09/2014	AGM	Receive the Annual Report	For	0.271383105
VECTURA GROUP PLC	19/09/2014	AGM	Approve the Remuneration Report	For	34.76232063
VECTURA GROUP PLC	19/09/2014	AGM	Approve Remuneration Policy	Abstain	1.786705584
VECTURA GROUP PLC	19/09/2014	AGM	To elect Mr Bruno Angelici	For	0.530092903
VECTURA GROUP PLC	19/09/2014	AGM	To re-elect Dr Susan Foden	For	0.193831254
VECTURA GROUP PLC	19/09/2014	AGM	To re-elect Dr Trevor Phillips	For	0.523934209
VECTURA GROUP PLC	19/09/2014	AGM	To re-elect Dr John Brown	Oppose	28.40763952
VECTURA GROUP PLC	19/09/2014	AGM	Re-appoint the auditors: Deloitte LLP	Oppose	1.994078588
VECTURA GROUP PLC	19/09/2014	AGM	Allow the board to determine the auditors remuneration	For	5.471769531
VECTURA GROUP PLC	19/09/2014	AGM	Approve the Vectura Group plc 2014 Sharesave Scheme	For	0.380526331
VECTURA GROUP PLC	19/09/2014	AGM	Issue shares with pre-emption rights	For	0.168624096
VECTURA GROUP PLC	19/09/2014	AGM	Issue shares for cash	Oppose	4.787611239
VECTURA GROUP PLC	19/09/2014	AGM	Meeting notification related proposal	For	2.26519993

United Kingdom

Law Commission Reports on Fiduciary Duty

Report clarifies relevance of ESG factors in trustee decision making

The [Law Commission](#) has released its long awaited [The Fiduciary Duties of Investment Intermediaries](#) report containing a range of guidelines and recommendations around investment issues.

Taking a lead from the Kay Review the report maintains a focus on longer-term decision making and defines various factors trustees may take into account in assessing both risks and returns in investment decision making. The report notes trustees should focus on investing for "realistic" returns rather than attempting to maximise short-term results.

Investment management turnover and consultants processes are also under scrutiny in the [full report](#) but most attention has centred around Commissions views on the interaction between ESG and sustainability considerations and fiduciary duty as expressed in the [Guidance for Pension Fund Trustees](#).

The Commission has balked at making an explicit recommendation for change in the current law, handing off to government a recommendation to review the current Occupational Pensions Schemes Regulation particularly around social, environmental or ethical considerations and the differences between financial and non-financial factors.

However, the Commission has expressed its views in reasonably clear language on materiality of financial considerations that a trustee should take account in investment decisions:

‘When investing in equities over the long-term, the risks will include risks to the long-term sustainability of a company’s performance. These may arise from a wide range of factors, including poor governance or environmental degradation, or the risks to a company’s reputation arising from the way it treats its customers, suppliers or employees.’

‘Where poor business ethics raise questions about a company’s long-term sustainability, “we would classify them as a financial factor which is relevant to risk.’

Further the materiality of issues a Trustee may take into account:

‘Any financial factor which is relevant to the performance of an investment. These include risks to a company’s long-term sustainability, such as environmental, social or governance factors (often referred to as “ESG” factors).’

The conclusion is that there is no impediment to trustees taking account of environmental, social or governance factors where they are, or may be, financially material.

In a boost to member advocacy campaigns, the report has also outlined a two stage test for non financial factors that may be taken into account by Trustees, including member views on particular investments. Further recommendations encompass adding the new guidance into the Pensions Regulator [Trustee Toolkit](#) and potentially longer-term inclusion in the Code of Practice.

The report has been broadly welcomed with both the [PRI](#) and [NAPF](#) issuing positive statements.

SSE Initiative Gains Toehold in Asia

Thai Exchange Joins Sustainable Stock Exchange Network with commitment to promoting sustainable development

The Stock Exchange of Thailand ([SET](#)) [has joined](#) 12 other leading exchanges in signing up to the [SSE Initiative](#).

‘To be the first exchange in ASEAN joining the SSE initiative reinforces our regional leadership and will enhance SET international recognition. SET Chair [Sathit Limpongpan](#) said, ‘This follows SET’s currently remarkable sustainable development in the region, proven records by achieving the top ASEAN corporate governance score for two years in a row (2013-2014), being Asia’s top score of Corporate Governance – [Report](#) on the Observance of Standards and Codes, as [assessed by](#) the World Bank. We therefore welcome this initiative as it will allow us to share and learn the best practice with other exchanges.’

SET President [Kesara Manchusree](#) said that ‘The Thai bourse has created its own sustainability development framework, aiming to enhance all dimensions of quality towards sustainability of the Thai capital market, economy, society, and environment. It would focus on five key areas, namely market value, business operations, employees, society, and environment. SET would soon establish a working group to substantially construct short, medium and long-term plans for these five key areas.’

The announcement follows the Colombian Securities Exchange ([BVC](#)) [announcement](#) of July 2014 and the June LSE Group [decision](#) to partner with the SSE.

The Thai decision adds further momentum for the SSE Initiative, initially launched in 2009, which has successfully built engagement with 12 stock exchanges worldwide and is backed by a group of global sustainability heavyweights including [UNCTAD](#), the [UN Finance Initiative](#) and the Principles for Responsible Investment ([PRI](#)).

Japan

Third Arrow Strikes

Abe announces plans to introduce corporate governance code

The Japanese government formally announced plans to launch a new corporate governance [code](#) as part of its [Revitalisation Strategy](#).

The announcement was made live on television as part of Prime Minister Shinzo Abe’s ‘third arrow’ of reforms to improve the Japanese economy through a series of measures to stimulate growth, shake up the moribund economy and open a stultified business culture. (See PIRC Alerts 24/07 and 22/01)

The code is to be developed by the Tokyo Stock Exchange and is expected to take effect next year. In a similar vein to many corporate governance practices worldwide, it will operate on a 'comply or explain' basis. Coupled with the newly introduced [Stewardship Code](#) it may help achieve the improved governance standards that both Abe and many foreign investors are looking for.

"We want to establish this code because we believe lean, energetic and healthy companies are going to restore Japan's competitiveness," said Yasuhisa Shiozaki, a Liberal Democrat Party lawmaker.

[One focus](#) is on increasing the number of non-executive directors in local companies. Historically, Japanese boards have had few if any independent directors and poor levels shareholder engagement and disclosure.

However, this has not been met positively by all. The peak business lobby Keidanren, has opposed the idea with managing director, Yasuhisa Abe stating "There is absolutely no basis for the argument that companies with outside directors perform better."

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