

Worcestershire County Council Pension Fund, Statement of Compliance with Stewardship Code

WORCESTERSHIRE COUNTY COUNCIL PENSION FUND

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Worcestershire County Council Pension Fund takes its responsibilities as a shareholder seriously. Our stewardship responsibilities extend over all assets of the Fund. All of our equities managers currently comply fully with the code.

The Fund has published policy documents which identify how we meet our Stewardship responsibilities and these include, but are not limited to, our Investment Strategy Statement, our Voting Policy and our Governance Compliance Statement. These documents cover the following areas:

- Monitoring of manager decisions
- The exercise of voting rights
- Risk measurement and management
- Environmental Social Governance (ESG) consideration in the Tender selection, retention and realisation of investments.
- Statement of compliance with the Myners Principles
- Stock lending.

In practice the Fund's policy is to apply the Code both through its contractual arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). In addition, the Fund expects its Asset Managers to take account of social, environmental and ethical considerations when making investment decisions. The objective of LAPFF is 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, the forum brings together a diverse range of local authority pension funds with combined assets of over £175 billion.

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests.

All new investment management agreements will now include the requirement for managers to observe the FRC's UK Corporate Governance Code and UK Stewardship code. Due diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Conduct Authority's registration.

All relevant managers have published a Statement of Commitment to the code (see appendix 1 which lists the links to these statements) and all appropriate managers, are signatories to the United Nations Principles for Responsible Investment (UN PRI) as evidenced on the UN PRI website.

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Worcestershire County Council Pension Fund encourages all its asset managers to have effective policies in place to address potential conflicts of interest. The need to avoid conflicts of interest is also highlighted in our asset manager mandates and contracts with external parties.

In respect of conflicts of interests within the Fund, Committee members are required to make declarations of interest at the start of all Committee and Investment sub-group meetings. A public register of interests is maintained for all Councillors and could be subject to audit inspection at any time. Members are responsible for updating their register as and when their interests change. This is overseen by the Monitoring Officer. If a member declares that they have an interest at the start of a meeting, then the context would determine the action that would be taken i.e. if they declare that they have an interest that is either personal or financial to an item on the agenda, then they would more than likely be asked to leave the room for that item and would be excluded from any voting activities. It is also worth noting that all members, including members of the Worcestershire County Council Pension Committee, are covered by a code of conduct and this can be viewed on the Council's website at the following link [Here](#)

Worcestershire County Council Pension Committee is administered by Worcestershire Council. All non-teaching employees of Worcestershire Council (which includes members of staff employed by Worcestershire County Council Pension Committee) are governed by the Council's Code of Conduct which is published on the Council's website. The Code of Conduct includes a section on conflicts of interest and the expectations placed upon Council employees (the requirement to handle public funds in a responsible and lawful manner for example). Any member of staff found to be in breach of the policy may be the subject of disciplinary action and could be subject to dismissal. This includes staff who administers the investment side of the Fund. The Council also has a whistleblowing policy to enable staff to raise any concerns that they may have.

All of the Fund's managers have confirmed that they have conflict of interest policies in place and these are subject to regular review. All managers have confirmed that they have a conflict of interest's board/ separate Committee to monitor and investigate conflicts of interest.

Principle 3 – Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing our equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities. Reports from our asset managers detailing engagement activities are available for the Pensions Committee on a quarterly basis. The Fund understands that regardless of this delegation, we retain overall responsibility for the Stewardship and responsible investment of the Fund assets.

The Fund engages with its asset managers on a regular basis using a variety of means including phone, email, in person and using formal written correspondence. The Fund uses its engagement with managers to monitor performance, evaluate risk, and to become aware of any ESG issues and opportunities.

Worcestershire County Council Pension Fund monitors its asset managers very closely. We receive quarterly performance reports from each manager and information in the reports is discussed with managers at our meetings with them and also reported to and reviewed by Committee every quarter. The Fund also employs the services of an investment consultant. The investment consultant assists the Fund in the monitoring of its managers and produces a Quarterly Performance Update for Committee which provides an overview of manager performance and raises any corporate, social or governance issues for consideration by the Committee.

Each of the managers meets with Committee once a year, and also with officers of the Fund once a year. We have quarterly meetings with our Active Equity managers. Additional meetings with managers may also be arranged on an ad-hoc basis according to need. Manager performance is also reported annually in the Fund Annual Report which is published on the Fund website and made widely available to stakeholders.

The Fund receives Internal Control Reports from managers and our custodian every year and these are reviewed by officers of the Fund annually.

The Fund has a fiduciary duty and therefore expects its managers to take account of financially material social, environmental and ethical considerations in the selection, retention and realisation of investments and believes that this forms part of the manager's fiduciary duty to protect long term shareholder value. As such, the Fund has a commitment to ensuring that companies that it invests in adopt a responsible attitude toward the environment, and adopt high ethical standards and behave in a socially responsible manner by taking into account the interests of all stakeholders. The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value. Again, the Fund primarily uses its membership of LAPFF to affect this policy.

Worcestershire County Council Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which has enabled us to develop our approach to shareholder engagement and responsible investment. Collective engagement through LAPFF enables us to maximise our influence.

Officers of the Fund regularly attend LAPFF business meetings, which include presentations from expert speakers and detailed updates on engagement and policy work. Furthermore our membership of LAPFF enables us to benefit from their voting alerts service which highlights companies with material corporate governance failings. Full details of the alerts can be viewed on the LAPFF website in the members' area.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

As highlighted above, responsibility for day to day interaction with companies is delegated to the fund managers, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statement of adherence to the Stewardship Code (see appendix 1 below) and may include the following activities:

1. Additional Meetings with management
2. Intervening jointly with other institutions – e.g. Fund managers have shown support for LAPFF alerts by publishing their voting intention online prior to AGM's
3. Writing a letter to the board or meeting the board
4. Submitting resolutions at general meetings and actively attending to vote
5. Divestment of shares

Occasionally, the Fund may choose to escalate activity directly, principally through engagement activity by the Local Authority Pension Fund Forum. When this happens the Chairman of the Pension Committee, in communication with the Vice Chairman and Chief Financial Officer to the Pension Fund will decide whether to participate in the proposed activity. Any concerns with the managers are added for discussion in the Investment Advisory Panel agenda and where there are specific concerns, the relevant managers will be invited to discuss concerns. As mentioned above, the Fund employs the services of an investment consultant, who, along with officers of the Fund, closely monitors the performance of the Fund Asset Managers. They help the Fund to monitor performance of the Fund and flag up any issues that it feels require consideration.

The Investment Consultant will attend Committee meetings and assist the Committee in the questioning of the managers and in the discussions that follow, helping the Committee by providing any guidance they need to help them to make the right decisions for the Funds interests. Further details are contained within the ISS which is available on the Worcestershire County Council Pension Fund website and can be found on the following link. [Here](#)

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.

Worcestershire County Council Pension Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund acts collectively with other Funds and organisations through a variety of means. This includes (but is not limited to) networking with other Funds, through participation in the LGPS Central project (pooling of LGPS investment activities) and through our membership of the Local Authority Pension Fund Forum, LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members.

At LGPS Central Limited, responsible investment and stewardship is at the heart of their investment process, and believe that engaging with companies leads to improved outcomes from both a financial standpoint and from a stakeholder point of view. Working collaboratively with LGPS Central will aid us in using our influence as a shareholder to set a high standard for the wider investment community. LGPS Central website and responsible investment statement can be found at this link [LGPS central RI](#). LGPS Central now publish [quarterly stewardship report](#) with this being the link to the latest edition. LGPS Central have also recently appointed Hermes stewardship and engagement team, Hermes EOS, to provide voting and engagement services. [Hermes EOS](#)

The Fund also works closely with its asset managers, engaging with them on a regular basis and with other organisations such as LAPFF and PLSA. All of our managers work closely with other organisations as part of their collaborative engagements, advocacy and research activities, details of which are given in their quarterly and annual reports which are reported to Committee.

Each year, various officers and members of the Pension Committee attend LAPFF business meetings which include presentations from expert speakers and detailed updates on engagement and policy work. The Fund uses its membership of LAPFF to work collaboratively with other organisations, to engage in the companies in which it invests, the idea being that the Fund will wield more influence by collaboratively engaging with other investors.

The Fund collaborates and works closely with other Funds on various projects such as the National Pooling Initiative. Representatives from the Fund regularly attend various pension forums and conferences in order to stay abreast with the latest developments affecting LGPS pensions and investment markets and to use it as an opportunity to network and collaborate with other Funds and organisations connected to the LGPS and in doing so, benefit from the opportunities this presents.

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activities.

Where practical, the Fund aims to vote in every single market in which it invests in alignment with corporate governance best practice guidelines. In the interests of sending a consistent signal to investee companies, the Fund has decided to delegate responsibility to its external Investment Managers for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. At the present time, the Fund believes that the advantage of a consistent signal outweighs the inherent disadvantages to disconnecting the voting function from the investment and engagement decisions of external fund managers.

There are on occasion times when managers put forward proposals. These will be considered by the Fund with the ultimate decision being made in consultation with the Chairman of the Pension Committee.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.

Worcestershire County Council Pension Fund annually reviews and updates its Investment Strategy Statement, which sets out the Fund's approach to responsible investing. Worcestershire County Council Pension Fund uses the Local Authority Pension Fund Forum (LAPFF) to undertake engagement activity. The activity undertaken by LAPFF is regularly made available to Committee.

Members and officers of the Fund receive voting alerts and full details are available on the LAPFF website in the members' area.

The Fund's managers provide reports on an annual and quarterly basis, detailing their performance against benchmark along with details of collaborative engagements, advocacy and research activities. These are reported to Committee and made available to members on a secure area of the WPF website.

We ask that all our managers provide us with a copy of their latest regulatory control report each year and these are reviewed by officers of the Fund annually and subject to periodic audit. These reports form part of the Fund's controls against the loss of Fund assets through misappropriation or fraud.

All of the Fund's managers are independently verified by an external auditor, details of which are found in their ISAE 3402 made available by request or publically on their websites. Where there are exceptions the Fund would seek clarification from managers and reports its findings to the Committee.

Appendix A

Manager Stewardship Code Statements	
Manager	Link
JP Morgan	https://am.jpmorgan.com/uk/institutional/frc-stewardship-code
Nomura	https://www.nomura.com/nam-europe/resources/upload/nam-uk-stewardship-code.pdf
Legal & General	http://www.lgim.com/files/_document-library/capabilities/uk-stewardship-code.pdf
Schroder's	https://www.schroders.com/en/about-us/corporate-responsibility/sustainability/uk-stewardship-code/
River and Mercantile	https://riverandmercantile.com/Asp/uploadedFiles/file/Corporate_Governance/RAMAM_StewardshipCode.pdf
Hermes	https://www.hermes-investment.com/ukw/stewardship/
Invesco	Invesco Corporate-Governance-Statement-2016.pdf
First State	https://www.firststateinvestments.com/global/responsible-investment/responsible-investment.html