

PENSIONS COMMITTEE
16 MARCH 2021**UK STEWARDSHIP CODE 2020**

Recommendation**1. The Chief Financial Officer recommends that:**

- a) **The requirements for the revised UK Stewardship code and the project plan provided by LGPS Central (Appendix 1) be noted; and**
- b) **He be granted delegated authority in consultation with the Chairman and Vice Chairman of the Committee to submit the Stewardship Code application to the Financial Reporting Council (FRC) by the deadline of 30 April 2021 and provide an update to the Committee meeting on 29 June 2021.**

Background and update

2. The introduction of the Stewardship Code in July 2010 by the Financial Reporting Council (FRC) strongly encouraged best practice in respect of investor engagement. The expectation was that institutional investors should publish a statement in respect of their adherence to the code. Compliance with the Code was on a voluntary basis.
3. The Fund previously agreed its Stewardship Compliance Statement at Committee on the 28 November 2018 and became a signatory to the code.
4. Committee have been informed in previous updates that the UK Stewardship Code 2020 has now been revised and has twelve principles.

Purpose and Principles of the Code

5. The UK Stewardship Code 2020 ('the Code') sets high expectations for how investors, and those that support them, invest, and manage money on behalf of UK savers and pensioners, and how this leads to sustainable benefits for the economy, the environment and society. It is a set of 12 Principles for asset owners and asset managers, and a separate set of six Principles for service providers – investment consultants, proxy advisors, data providers and others.
6. The new Code took effect on 1 January 2020. The Financial Reporting Council (FRC) will begin accepting applications in Q1 2021. Asset owners wishing to be included on the first list of signatories will need to apply by 30 April 2021 for the period 1 January – 31 December 2020. Applicants that effectively evidence how they apply the Principles and meet the reporting expectations will be listed as signatories to the Code in the Summer 2021.

7. Stewardship is defined by the FRC as follows: “*Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.*”

8. The below 12 Principles apply to asset owners and asset managers. They are grouped under these headlines:

- Purpose and governance (Principles 1 – 5)
- Investment approach (Principles 6 – 8)
- Engagement (Principles 9 – 11)
- Exercising rights and responsibilities (Principle 12)

9. LGPS Central have offered support to all partner funds in the submission and have provided the attached project plan (Appendix 1) covering the requirements. The aim of the Fund is to work with LGPS Central and look to submit our application by the 30 April 2021.

10. This report is seeking the Committee to note the requirements and delegate the application to Fund officers in consultation with the Chair and Vice Chair of the Pensions Committee and that an update is provided to the June Pension Committee.

Supporting information

- Appendix – UK Stewardship Code Project plan provided by LGPSC

Contact Points

Specific Contact Points for this report

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Background Papers

In the opinion of the proper officer (in this case the Chief Financial Officer), there are no background papers relating to the subject matter of this report.