

UK Stewardship 2020 Project plan for Worcestershire Pension Fund

Background

Worcestershire Pension Fund (WPF) aims to report against the UK Stewardship Code 2020 (the Code) by 30 April 2021, and in doing so will become an early signatory to the Code provided reporting expectations are met.

This document proposes a timeline for the project and provides a break-down of the expectations for each Principle in the Code. Further background on the Code is provided in the attached LGPS Central Stewardship Code Reporting Brief.

LGPS Central can provide guidance in the preparation of the report primarily by means of assistance with project planning, provision of content as appropriate (see Principle-by-Principle overview below), feedback to draft report before delivery.

As the reporting entity, WPF needs to be able to report on approach, oversight, activity, resources, plans/developments in the making etc. for each Principle. Some information will need to come from outside the Pool, e.g. for legacy funds that are managed by external managers.



LGPSC Stewardship
Code 2020 Reportin

Principles by Principle – indication of reporting expectations and LGPS Central assistance relative to each Principle

Principle 1	Reporting Expectations	Activity and Outcomes	Proposed information and use of LGPS Central and/or stewardship provider reporting
<p>Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society</p>	<p>Signatories should explain:</p> <p>The purpose of the organisation and an outline of its culture, values, business model and strategy; and</p> <p>Their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why</p>	<p>Activity: Signatories should explain what actions they have taken to ensure their investment beliefs, strategy and culture enable effective stewardship.</p> <p>Outcome: Signatories should disclose:</p> <ol style="list-style-type: none"> 1) How their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making; and 2) an assessment of how effective they have been in serving the best interests of clients and beneficiaries 	<p>AR and ISS</p> <ul style="list-style-type: none"> - State who the fund is for - Principle aims/objectives - RI and climate beliefs linked to investment beliefs <p>Climate Risk Report, TCFD report and Climate Strategy (plan for such, if in the making)</p>

Principle 2	Reporting Expectations	Activity and Outcomes	Proposed information and use of LGPS Central and/or stewardship provider reporting
<p>Signatories' governance, resources, and incentives support stewardship</p>	<p>Signatories should explain how:</p> <p>Governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach.</p> <p>They have appropriately resourced stewardship activities, including:</p> <ol style="list-style-type: none"> 1) their chosen organisational and workforce structures. 2) their seniority, experience, qualifications, training, and diversity. 3) their investment in systems, processes, research, and analysis. 4) the extent to which service providers were used and the services they provided. 	<p>Outcome:</p> <p>Signatories should disclose:</p> <ol style="list-style-type: none"> 1) how effective their chosen governance structures and processes have been in supporting stewardship; and 2) how they may be improved 	<p>Explain governance structures and processes to oversee effective stewardship including</p> <ul style="list-style-type: none"> - Resources allocated - Seniority, experience, qualifications, training, and diversity - Investment in systems, processes, research, and analysis - Use of third-party suppliers <p>Expand on LGPS Governance framework and how that provides a context for good stewardship</p> <p>Links to processes around SAA and setting of investment strategy, including reference to Climate Strategy (in the making and/or planned)</p> <p>Investment consultant and other roles – detail their expertise</p> <p>Pension Committee and Pension Board roles – highlight (or add) oversight of Stewardship</p> <p>Include reference to training, carried out or planned, on RI, ESG integration, climate change</p> <p>Include link to LGPS Central's website for RI&E function that supports Partner Fund stewardship across ESG integration, engagement and voting, RI & E Framework (agreed among all PFs), current Stewardship Code statement (future Stewardship Report) and TCFD report</p> <p>Specific reference can be made to LGPS Central's appointment of EOS to provide stewardship services across relevant asset classes</p> <p>Background on EOS and further detail on their services can be found in Stewardship services brochure and Engagement Plan which can be linked to</p>

			in responses. This includes details on the EOS team, approach to engagement and voting, and the influence that comes from combining each client’s assets with other institutional investors around the world – assets under advice (AUA) of approximately US\$1.1tn1.
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Principle 3	Reporting Expectations	Activity and Outcomes	Proposed information and use of LGPS Central and/or stewardship provider reporting
<p>Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.</p>	<p>Signatories should disclose their conflicts policy and how this has been applied to stewardship.</p> <p>In the FRC’s review of Early Reporting (Sep 2020) this principle was flagged as one that lacked good answers. Below is an indication of what the FRC is looking for:</p> <p><i>Better reporting included examples of potential conflicts, particularly where they highlighted how the conflicts were relevant to their particular organisation, taking into account their structure and operations. Addressing Principle 3 is supported by reporting that provides information about the ownership, governance and workforce structures, and the overall makeup of an organisation, including Principles 2 and 6.</i></p>	<p>Activity: Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.</p> <p>Outcomes: Signatories should disclose examples of how they have addressed actual or potential conflicts</p>	<p>Examples – standard Conflicts of Interest (COI) for LGPS</p> <p>If possible, draw out examples that specifically shows how cases relating to stewardship have been handled</p> <p>Reference can be made to LGPS Central’s COI policy</p>

Principle 4	Reporting Expectations	Activity and Outcomes	Proposed information and use of LGPS Central and/or stewardship provider reporting
<p>Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.</p>	<p>Signatories should explain:</p> <ol style="list-style-type: none"> 1) how they have identified and responded to market-wide and systemic risk(s), as appropriate. 2) how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets. 3) the role they played in any relevant industry initiatives in which they have participated, the extent of their contribution and an assessment of their effectiveness, with examples; and 4) how they have aligned their investments accordingly. 	<p>Outcomes: Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.</p>	<p>Breakdown of AUM</p> <p>Links to investment strategy section interest rates/currency/geopolitical</p> <p>Links to Climate Risk Report and Climate Strategy (in the making)</p> <p>Process of identifying market-wide/systemic risks</p> <p>Memberships to external organisations</p> <p>Attendance and contributions to industry standards and events (LGC, PLSA, SAB, LAPFF)</p> <p>LGPS Central will provide narrative that covers the pool's industry engagements (including committee roles with TPI, IIGCC, CA100+, PRI etc) on behalf of Partner Funds</p> <p>Link to LGPS Central's Quarterly Stewardship Reports 2019-20 (Section 5) and to consultation responses.</p> <p>Reference can be made to EOS who, on behalf of clients, regularly engage with a wide range of stakeholders, including government authorities, trade bodies, unions, investors, and NGOs, to best identify and respond to market-wide and systemic risks. EOS is involved in We are involved in a number of regional and industry initiatives (PRI), Climate Action 100+,</p>

			Institutional Investors Group on Climate Change, Asia Investor Group on Climate Change, Ceres, International Corporate Governance Network (ICGN), Council of Institutional Investors, Eumedion, Focusing Capital on The Long Term, Corporate Governance Forum, and Investor Forum.
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Principle 5	Reporting Expectations	Activity and Outcomes	Proposed information and use of LGPS Central and/or stewardship provider reporting
Signatories review their policies, assure their processes, and assess the effectiveness of their activities	<p>Signatories should explain:</p> <ol style="list-style-type: none"> 1) how they have reviewed their policies to ensure they enable effective stewardship. 2) what internal or external assurance they have received in relation to stewardship (undertaken directly or on their behalf) and the rationale for their chosen approach; and 3) how they have ensured their stewardship reporting is fair, balanced, and understandable. 	<p>Outcome: Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes.</p>	<p>If LGPS Central has provided assistance in drafting/reviewing RI investment beliefs, RI policies – it could be mentioned here</p> <p>Four core stewardship themes have been identified across Partner Funds as key priority areas for engagement during 2020 – 2023 (climate change, responsible tax behaviour, plastic pollution, tech sector risks)</p> <p>What next – areas for focus and improvement, e.g. establishment of separate Climate Strategy</p> <p>Quarterly PAF RI WG meetings allow for information-sharing and debate/checks on LGPSC’s provision of RI services.</p> <p>LGPS Central can provide narrative on AFF controls carried out during reporting period, <i>LGPS Central has carried out AAF controls of the investment operations during the reporting year. These controls include testing of the accuracy of RI data and implementation of RI processes in relation to our voting policy, voting implementation, and accuracy of voting data. In addition to the AAF controls, we carry out quarterly internal quality controls of engagement</i></p>

			<p><i>and voting data before this is shared with our Partner Funds through Quarterly Stewardship Reports (excerpt from LGPS Central's report to PRI for calendar year 2019)</i></p> <p>EOS has its voting process independently assured on an annual basis.</p>
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Principle 6	Reporting Expectations	Activity and Outcomes	Proposed information and use of LGPS Central and/or stewardship provider reporting
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	<p>The size and profile of their membership, including number of members in the scheme and the average age of members.</p> <p>The length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why.</p>	<p>Activity: Signatories should explain</p> <ol style="list-style-type: none"> 1) how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach; and 2) how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon <p>Outcomes: Signatories should explain:</p> <ol style="list-style-type: none"> 1) how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries. 2) how they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result; 	<p>Link to Communications Policy Statement</p> <p>Employers forums/AGMs</p> <p>Newsletters</p> <p>Website</p> <p>FOI</p> <p>Member surveys, if conducted</p>

Principle 7	Reporting Expectations	Activity and Outcomes	Proposed information and use of LGPS Central and/or stewardship provider reporting
<p>Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.</p>	<p>Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include the ESG issues of importance to them.</p>	<p>Activity: Signatories should explain</p> <ol style="list-style-type: none"> 1) the processes they have used to: integrate stewardship and investment, including material ESG issues, to align with the investment time horizons of beneficiaries; and 2) Ensure service providers have received clear actionable support for ESG integration <p>Outcomes: Signatories should explain how information gathered through stewardship has informed acquisition, monitoring and exit decisions, either directly or on their behalf, and with reference to how they have best served clients and/or beneficiaries</p>	<p>We will provide narrative on:</p> <ol style="list-style-type: none"> 1) LGPS Central’s RI Integrated Status for all ACS Funds prior to launch and during lifespan of asset 2) LGPS Central’s monitoring of managers’ ESG integration and engagement 3) LGPS Central’s support through Climate Risk Monitoring Service (CRR, TCFD and Climate Strategy development)
Principle 8	Reporting Expectations	Activity and Outcomes	Where information can be found and use of LGPS Central and/or stewardship provider reporting
<p>Signatories monitor and hold to account managers and/or service providers.</p>	<p>Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.</p>	<p>Outcome: Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.</p>	<p>Legacy manager oversight – ISS</p> <p>Managers/consultants/pension lawyers/independent advisers</p> <p>LGPS Central to provide narrative on Central’s monitoring of managers’ ESG integration and stewardship</p>

Principle 9	Reporting Expectations	Activity and Outcomes	Where information can be found and use of LGPS Central and/or stewardship provider reporting
Signatories engage with issuers to maintain or enhance the value of assets	Signatories should explain the expectations they have set for others that engage on their behalf and how.	Outcomes: Signatories should describe the outcomes of engagement that is ongoing or has concluded in the preceding 12 months, undertaken directly or by others on their behalf.	<p>LGPS Central will provide narrative for</p> <ul style="list-style-type: none"> - Direct and collaborative engagement activities and outcomes during the reporting period (QSR) - Engagement activities and outcomes through EOS (including case studies) <p>Engagement activities carried out by legacy managers</p> <p>FRC advises that Partner Funds should provide one non-pool example</p>

Principle 10	Reporting Expectations	Activity and Outcomes	Where information can be found and use of LGPS Central and/or stewardship provider reporting
Signatories, where necessary, participate in collaborative engagement to influence issuers.	Signatories should disclose what collaborative engagement they have participated in and why, including those undertaken directly or by others on their behalf.	Outcomes: Signatories should describe the outcomes of collaborative engagement	<p>LGPS Central will provide narrative for key priority initiatives that relate to core stewardship themes (climate change, responsible tax behaviour, plastic pollution, and tech sector risks) identified by Partner Funds.</p> <p>This can be supplemented with stewardship EOS' participation in collaborative initiatives on LGPS Central's and PF's behalf.</p> <p>FRC advises that Partner Funds should provide one non-pool example</p>

Principle 11	Reporting Expectations	Activity and Outcomes	Where information can be found and use of LGPS Central and/or stewardship provider reporting
Signatories, where necessary escalate stewardship activities to influence issuers.	Signatories should explain the expectations they have set for asset managers that escalate stewardship activities on their behalf	Outcomes: Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf.	<p>LGPSC will provide narrative for examples of escalation, typically related to core engagements on the four stewardship themes (climate change, responsible tax behaviour, plastic pollution, and tech sector risks) identified by Partner Funds.</p> <p>This can be supplemented with engagement escalation examples through EOS (see narrative in public report)</p> <p>FRC advises that Partner Funds should provide one non-pool example</p>

Principle 12	Reporting Expectations	Activity and Outcomes	Where information can be found and use of LGPS Central and/or stewardship provider reporting
Signatories actively exercise their rights and responsibilities.	Signatories should state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf.	Outcomes: For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months.	<p>Reference LGPS Central's Voting Principles set and approved by all Partner Funds, as well as vote-by-vote disclosure for ACS funds (as relevant).</p> <p>Quarterly engagement and voting updates from LGPS Central, including voting statistics</p> <p>Engagement and voting cases for specific ACS funds in Level 2 and 3 reports</p> <p>LAPFF Voting Recommendations, supplemented by LGPS Central Voting Briefings</p> <p>FRC advises that Partner Funds should provide one non-pool example</p>