

PENSIONS COMMITTEE

8 OCTOBER 2021

UK STEWARDSHIP CODE 2020

Recommendation

- 1. The Chief Financial Officer recommends the Fund's outcome for the revised UK Stewardship Code 2020 submission and the areas requiring improvement as detailed in the Appendix be reviewed.**

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 Pensions Committee on the 28 November 2018 and became a signatory to the code.
4. Pensions Committee have been informed in previous updates that the UK Stewardship code 2020 had been revised and had 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.
6. 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."*
7. The new Code took effect on 1 January 2020. The Financial Reporting Council (FRC) accepted applications by the 30 April 2021 for Asset owners wishing to be included on the first list of signatories covering the period 1 January – 31 December 2020.
8. The Fund submitted its application which was provided at the June Committee and received notification from the FRC see the attached Appendix that we (along with several LGPS funds) have been successful in becoming a signatory to the 2020 Stewardship Code, something which 64 organisations out of 189 organisations (including 147 asset managers, 28 asset owners including pension funds and insurers, and 14 service providers including data and information providers and investment consultants) applying to the Financial Reporting Council did not achieve.

9. FRC have provided feedback on our submission quoting that “***Your report is clear and engaging, and effectively demonstrates application of most of the Principles and reporting expectations of the Code in the reporting period***”.

10. There are a number of areas under each principle (from page 3 onwards) where the FRC require improvement for future submissions to remain a code signatory and the next submission is due on the 30 April 2022.

11. LGPS Central and West Midlands Pension Fund have also been successful code signatories from the Pool. The other Partner Funds are submitting their applications on the 30 April 2022.

Contact Points

Specific Contact Points for this report

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Supporting Information

Appendix - FRC Stewardship report feedback for Worcestershire Pension Fund

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.