

The information in this letter is only for the person or entity to which it is addressed.
The contents may not be made public by the recipient before the FRC publishes the
UK Stewardship Code 2020 signatory list on Monday, 6 September 2021.

Mr Robert Wilson
Worcestershire County Council Pension Fund
Worcestershire County Council, County Hall
Spetchley Road
Worcester
WR5 2NP

Wednesday, 1 September 2021

Application Outcome: Successful

Dear Mr Wilson

Thank you for submitting your Stewardship Report for the reporting period 1 April 2020 to 31 March 2021.

We are pleased that Worcestershire County Council Pension Fund has met the expected standard of reporting in 2021 and will be listed as a signatory to the UK Stewardship Code ('the Code').

We will publish the list of signatories and reports on our website on **6 September 2021**. You will then be able to refer to yourself as a signatory to the UK Stewardship Code and use the new UK Stewardship Code logo. Please treat this letter as confidential and refrain from referring to Worcestershire County Council Pension Fund as a signatory to the Code until the FRC has published the list. Once the FRC has published its list of signatories, please also publish your report on your website.

Your report

We read your report in full and assessed it against the Principles and reporting expectations of the Code in a way that is proportionate to your organisation's size and type. This assessment was then reviewed and discussed with the team to ensure it was fair and appropriate. A sample of reports reflecting a range of applicants was reviewed by our panel of independent advisors to ensure consistency.

Below is written feedback, and a summary of where your reporting met our expectations and where improvement is needed when you submit your next report.

Next steps

In November, the FRC will publish a Review of the reports submitted in Spring 2021. This will give more detail about our expectations, include examples of effective reporting, and identify where we will expect reporting to improve in 2022. We will email you when this is published. If you then have questions about how to approach your reporting, you may contact us.

This letter sets out our final decision for this assessment period and we do not discuss individual assessments. To remain a signatory, you will need to submit a report by 30 April 2022, or notify stewardshipcode@frc.org.uk to change your reporting date.

Yours sincerely



David Styles
Director, Corporate Governance and Stewardship

FRC Stewardship - Report Feedback

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.

Under Principle 2, you should provide an overview of the skills and experience held internally (or externally) and explain how you have encouraged diversity in your organisation.

Under Principle 5, your report should explain why your approach to review and assurance is appropriate and how you have ensured your reporting is fair, balanced and understandable.

Under Principle 6, Your report should better describe the length of the investment time horizon, including the number of years, you have considered appropriate to deliver to the needs of beneficiaries.

Your report should also provide the percentages of your assets under management that have been invested through LGPS Central and external asset managers.

Under Principle 12, you mention examples of votes cast under the reporting period, such as at Ocado and Morrison, but you should better describe their outcomes: your report should not only explain the reasons for voting against (or for) a resolution, but it should also show how an issuer has responded to concerns raised, even if the vote was unsuccessful.

Your reporting could be improved by further disclosure on how Worcestershire County Council Pension Fund exercises rights and responsibilities in asset classes other than listed equity, and how you set expectations for your asset managers to do so. While there was reporting on other asset classes, it could be improved regarding how you exercise rights and responsibilities.

Your Stewardship Report has met the standard to become a signatory this year. Please address the areas identified in this feedback and the following table to remain a signatory in future.

Principle 1

Evaluation	Reporting Expectation
Meets expectation	Signatories should explain the purpose of the organisation and an outline of its culture, values, business model and strategy
Meets expectation	Signatories should explain their investment beliefs, i.e. what factors they consider important for desired investment outcomes and why
Meets expectation	Signatories should explain what actions they have taken to ensure their investment beliefs, strategy, and culture enable effective stewardship
Meets expectation	Signatories should disclose how their purpose and investment beliefs have guided their stewardship, investment strategy and decision-making
Needs improvement	Signatories should disclose an assessment of how effective they have been in serving the best interests of clients and beneficiaries.

Principle 2	
Evaluation	Reporting Expectation
Meets expectation	Signatories should explain how their governance structures and processes have enabled oversight and accountability for effective stewardship within their organisation and the rationale for their chosen approach.
Meets expectation	Signatories should explain how they have appropriately resourced stewardship activities, including their chosen organisational and workforce structures
Needs improvement	Signatories should explain how they have appropriately resourced stewardship activities, including their seniority, experience, qualifications, training and diversity
Meets expectation	Signatories should explain how they have appropriately resourced stewardship activities, including their investment in systems, processes, research and analysis
Meets expectation	Signatories should explain how they have appropriately resourced stewardship activities, including the extent to which service providers were used and the services they provided
Needs improvement	Signatories should explain how any performance management or reward programmes have incentivised the workforce to integrate stewardship and investment decision-making
Meets expectation	Signatories should disclose how effective their chosen governance structures and processes have been in supporting stewardship; and Signatories should disclose how they may be improved
Principle 3	
Evaluation	Reporting Expectation
Meets expectation	Signatories should disclose their conflicts policy and how this has been applied to stewardship
Meets expectation	Signatories should explain how they have identified and managed any instances of actual or potential conflicts related to stewardship.
Needs improvement	Signatories should disclose examples of how they have addressed actual or potential conflicts

Principle 4	
Evaluation	Reporting Expectation
Needs improvement	Signatories should explain how they have identified and responded to market-wide and systemic risk(s), as appropriate.
Meets expectation	Signatories should explain how they have worked with other stakeholders to promote continued improvement of the functioning of financial markets.
Meets expectation	Signatories should explain 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.
Meets expectation	Signatories should explain how they have aligned their investments accordingly.
Meets expectation	Signatories should disclose an assessment of their effectiveness in identifying and responding to market-wide and systemic risks and promoting well-functioning financial markets.
Principle 5	
Evaluation	Reporting Expectation
Meets expectation	Signatories should explain how they have reviewed their policies to ensure they enable effective stewardship
Needs improvement	Signatories should explain 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
Needs improvement	Signatories should explain how they have ensured their stewardship reporting is fair, balanced and understandable
Meets expectation	Signatories should explain how their review and assurance has led to the continuous improvement of stewardship policies and processes

Principle 6

Evaluation	Reporting Expectation
Meets expectation	Signatories should disclose the approximate breakdown of the scheme(s) structure i.e. whether the scheme is a master trust, occupational pension fund, defined benefit or defined contribution etc.
Meets expectation	Signatories should disclose the approximate breakdown of the size and profile of their membership, including number of members in the scheme and the average age of members
Meets expectation	Signatories should disclose the approximate breakdown of assets under management across asset classes and geographies
Needs improvement	Signatories should disclose the length of the investment time horizon they have considered appropriate to deliver to the needs of clients and/or beneficiaries and why
Needs improvement	Signatories should explain how they have sought beneficiaries' views (where they have done so) and the reason for their chosen approach
Needs improvement	Signatories should explain how the needs of beneficiaries have been reflected in stewardship and investment aligned with an appropriate investment time horizon
Meets expectation	Signatories should explain what they have communicated to beneficiaries about their stewardship and investment activities and outcomes to meet beneficiary needs, including the type of information provided, methods and frequency of communication
Needs improvement	Signatories should explain how they have evaluated the effectiveness of their chosen methods to understand the needs of clients and/or beneficiaries
Needs improvement	Signatories should explain how they have taken account of the views of beneficiaries where sought, and what actions they have taken as a result
Meets expectation	Signatories should explain where their managers have not followed their stewardship and investment policies, and the reason for this

Principle 7	
Evaluation	Reporting Expectation
Meets expectation	Signatories should disclose the issues they have prioritised for assessing investments, prior to holding, monitoring through holding and exiting. This should include ESG issues of importance to them.
Needs improvement	Signatories should explain how integration of stewardship and investment has differed for funds, asset classes and geographies
Meets expectation	Signatories should explain how they have ensured tenders have included a requirement to integrate stewardship and investment, including material ESG issues
Meets expectation	Signatories should explain how they have ensured the design and award of mandates included requirements to integrate stewardship and investment to align with the investment time horizons of beneficiaries
Meets expectation	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
Principle 8	
Evaluation	Reporting Expectation
Needs improvement	Signatories should explain how they have monitored service providers to ensure services have been delivered to meet their needs.
Meets expectation	Signatories should explain how the services have been delivered to meet their needs
Meets expectation	Signatories should explain the action they have taken where signatories' expectations of their managers and/or service providers have not been met
Principle 9	
Evaluation	Reporting Expectation
Meets expectation	Signatories should explain the expectations they have set for others that engage on their behalf
Meets expectation	Signatories should explain how they have developed well-informed and precise objectives for engagement with examples
Meets expectation	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.

Principle 10	
Evaluation	Reporting Expectation
Meets expectation	Signatories should disclose what collaborative engagements they have participated in and why, including those undertaken directly or by others on their behalf.
Meets expectation	Signatories should describe the outcomes of collaborative engagement.
Principle 11	
Evaluation	Reporting Expectation
Meets expectation	Signatories should explain the expectations they have set for asset managers that escalate stewardship activities on their behalf
Meets expectation	Signatories should explain when they have chosen to escalate their engagement, including the issue(s) and the reasons for their chosen approach, using examples
Needs improvement	Signatories should describe the outcomes of escalation either undertaken directly or by others on their behalf
Principle 12	
Evaluation	Reporting Expectation
Needs improvement	Signatories should state the expectations they have set for asset managers that exercise rights and responsibilities on their behalf
Meets expectation	For listed equity assets signatories should disclose their voting policy, including any house policies and the extent to which funds set their own policies
Meets expectation	For listed equity assets, signatories should explain their rationale for some or all voting decisions
Meets expectation	For listed equity assets, signatories should explain the extent to which voting decision were executed by another entity, and how they have monitored any voting decisions on their behalf
Needs improvement	For listed equity assets, signatories should explain how they have monitored what shares and voting rights they have
Needs improvement	For fixed income assets, signatories should explain their approach to seeking amendments to terms and conditions in indentures or contracts
Needs improvement	For listed equity assets, signatories should provide examples of the outcomes of resolutions they have voted on over the past 12 months