

PENSIONS COMMITTEE

28 JUNE 2023

UK STEWARDSHIP CODE 2021 UPDATED 2023 SUBMISSION

Recommendation

- 1. The Chief Financial Officer recommends that the 2021 Stewardship Code application for the Fund submitted on the 21 May 2023 be noted.**

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. The Committee were informed at its meeting in March 2021 that the UK Stewardship Code 2020 had been revised and had twelve principles.
4. The Fund submitted its 2020 application which was provided at the June 2021 Committee and received notification from the FRC (reported to the October Committee) that we (along with several LGPS funds) had 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. LGPS Central and West Midlands Pension Fund were also successful code signatories from the Pool.
5. FRC provided feedback on our submission on a number of areas under each of the twelve principles where the FRC required improvement for future submissions to remain a code signatory. The next submission (covering the period 1 January – 31 December 2021) was sent on the 30 April 2022.

Purpose and Principles of the Code

6. 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.

7. The Fund's submission for Stewardship Code for the period 1 January – 31 December 2022 is attached as an Appendix and took on board the improvement areas identified by the FRC in our last submission (reported to Committee on the 13 October 2022). 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 2023.

8. LGPS Central provided support again to all partner funds in the submission particularly in providing evidence of engagement.

9. This report is seeking the Committee to note and comment on the application.

Supporting information

- Appendix – Stewardship Code 2023 submission.

Contact Points

Specific Contact Points for this report

Sherief Loutfy
Head of Pension Investments, Treasury Management & Banking
Tel: 01905 846908
Email: sloutfy@worcestershire.gov.uk

Background Papers

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