Committee and Date	Item
Pensions Committee 02 December 2022 10.00 am	**9**

STEWARDSHIP CODE UPDATE

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1. Synopsis

1.1 To provide the Fund with an update on the position in respect of the Fund's application for signatory status of the Financial Reporting Councils (FRC) UK Stewardship Code 2020.

2. Executive Summary

2.1 The Fund has given its commitment to sign up to the FRC UK Stewardship Code 2020. This report is to confirm to members that following the appointment of a Pensions Investment and Responsible Investment Manager in October 2022, we intend to bring a draft submission to the March Committee so that the Fund can apply to become a signatory in April 2023.

2.2 Applying for signatory status is an annual process with submissions accepted by the FRC at the end of October and April each year.

2.3 The Fund was a signatory to the previous code and signing up to the new code is seen as an important step in demonstrating the Funds Commitment to Environmental, Social and Governance Issue (ESG) in all our investment strategies.

2.4 Applying for signatory status is a major undertaking that will need to be repeated annually, however this commitment will help drive the Funds commitment to the Paris Treaty on climate change and ensure continuous review of the Funds approach to ESG matters in respect of all assets under management.

2.5 The report provides Committee Members with an overview of the principles that have to be demonstrated in our application and the proposed timeline.

3. Recommendations

3.1 Members note the position as set out in the report.

REPORT

4. Risk Assessment and Opportunities Appraisal

4.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

4.2 There are no direct environmental, equalities or climate change consequences arising from this report. The report sets out the timescales for the Fund in formally applying to be a signatory to the UK Stewardship Code 2020 which directly impacts these issues.

4.3 Regular monitoring of investment managers and their ESG policies will ensure regulatory compliance and give early warning of areas of difficulty and potential areas for development in climate risk metrics.

5. Financial Implications

5.1 There are no direct financial implications to consider in this report. The fund is committing to annually update its signatory status and further enhance the ESG reporting that has already been established with Investment Managers and Consultants.

6. Climate Change Appraisal

6.1 The Fund takes Responsible Investment very seriously; it is a key process the investment managers go through before investing. Thorough due diligence is undertaken considering all risks including climate change. The investment managers vote on the Fund’s behalf, Columbia Threadneedle engage with companies on the Fund’s behalf and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) and a signatory to the previous UK Stewardship Code. This report sets out the timescales for application to become a signatory to the revised code.

7. Background

7.1 Members will be aware LGPS Central, the Funds pooling partner gave an update on the 12 Stewardship Code Principles in March 2022.

7.2 The following table shows 12 principles that the Fund has to be able to demonstrate compliance with in order to achieve signatory status.

Principles of UK Stewardship Code 2020	
1.	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.
2.	Signatories' governance, resources and incentives support stewardship.
3.	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4.	Signatories identify and respond to market-wide and systemic risks to promote well-functioning financial systems.
5.	Signatories review their policies, assure their processes and assess the effectiveness of their activities.
6.	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7.	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8.	Signatories monitor and hold to account managers and/or service providers.
9.	Signatories engage with issuers to maintain or enhance the value of assets.
10.	Signatories, where necessary, participate in collaborative engagement to influence issuers.
11.	Signatories, where necessary, escalate stewardship activities to influence issuers.

12.	Signatories actively exercise their rights and responsibilities.

7.3 The principles can be sub divided into four categories:

- Principles 1 to 5 cover the funds purpose and governance.
- Principles 6 to 8 cover the funds investment approach.
- Principles 9-11 cover engagement.
- Principle 12 covers exercising rights and responsibilities.

7.4 Following the delay in appointment of the Pensions Investment and Responsible Investment Manager the application process is now subject to a revised timeline as shown in the table below.

Date	Action	Status
Oct 22	Responsible Investment Manager appointed	Complete
Nov–Dec 22	Meeting Investment Managers and Data gathering from External Parties	In progress
January 23	Report Writing	
February 23	Feedback from LGPS Central on draft	
February 23	Update draft report based on feedback	
March 23	Draft Report to Pensions Committee	
March 23	Finalise Report Design	
30th April 23	Report Delivery to FRC	

7.5 The outcome of the submission to the FRC is expected to be reported to the Pensions Committee in June 2023.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee, 18 March 2022, LGPS Central RI&E Update
Cabinet Member N/A
Local Member

N/A

Appendices

N/A