

Committee

Pensions Committee

Contact Officers

Yvonne Thompson-Hoyte, Finance

Papers with this report

1. UK Stewardship Code 2020
2. Stewardship Code Compliance Template

HIGHLIGHTS

This report introduces the new UK Stewardship Code 2020 (the Code) that was published by the Financial Reporting Council (FRC) on 1 January 2020. The Hillingdon Pension Fund is currently signed up to the 2012 Code. All organisations that are currently signed up will remain signatories until December 2020. In order to remain a signatory thereafter the Pension Fund must submit a stewardship report based on the 2020 Code criteria by 30 April 2021, reflecting on the previous 12 months.

Signing up to the code is voluntary but is considered good practice and complements the recently approved Responsible Investment policy.

RECOMMENDATIONS

That Pensions Committee:

1. Agree to sign up to the UK 2020 Stewardship Code

INFORMATION

UK Stewardship Code 2020

The UK Stewardship Code 2020 was published by the FRC on 1 January 2020. They have described it as a 'substantial ambitious' revision of the 2012 Code. The new Code focuses more on Environment, Social and Governance (ESG) issues. It is also more prescriptive in that for each principle it provides a 'Reporting Expectation' with details of the activities that it would expect signatories to have carried out and the outcome of those activities, whereas the 2012 code was based on broad policy statements.

Organisations that are signatories to the 2012 Stewardship code will remain until December 2020. After this a new report will need to be submitted to the FRC based on the 2020 code requirements for evaluation.

Reporting Requirements

Classification: Public

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The 2020 Code is split into two main sections; 'Principles for Asset Owners and Asset Managers' and Principles for Service Providers'

The first section relating to asset owners and managers is the area on which the Pension Fund would be required report. There are twelve principles in this section grouped under four broad headings:

- Purpose and Governance
- Investment Approach
- Engagement
- Exercising Rights and Responsibilities

To remain a signatory to the Code the Pension Fund will be required to submit an Annual Stewardship report demonstrating how the twelve principles have been met over the previous 12 months.

In the 12 months leading up to the final report officers will be reviewing existing practices and policies to ensure that they are aligned to meet the requirements of the Stewardship Code. The Responsible Investment Policy will also be reviewed to identify any areas that could be strengthened to better support the code requirements.

The date for submission of the final report has been extended to 30 April 2021 (initially 31 March 2021) due to the increased challenges on resources in dealing with COVID-19. The report will be evaluated and if it meets the criteria the Hillingdon Pension Fund will be included in the list of signatories to the Code and the report published on the FRC's website.

FINANCIAL IMPLICATIONS

There are no financial implications in this report.

LEGAL IMPLICATIONS

There are no legal implications in the report.