



**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**PENSIONS AND INVESTMENTS COMMITTEE**

**WEDNESDAY, 26 APRIL 2023**

**Report of the Director - Finance and ICT**

**UK Stewardship Code 2020**

**1. Purpose**

- 1.1 To obtain Pensions and Investments Committee approval for Derbyshire Pension Fund's (the Fund) application to become a signatory to the UK Stewardship Code 2020.

**2. Information and Analysis**

- 2.1 The Financial Reporting Council (FRC) promotes transparency and integrity in business. It regulates auditors, accountants and actuaries, and sets the UK's Corporate Governance and Stewardship Codes.
- 2.2 The FRC launched the UK Stewardship Code 2020 (the Code) in 2019. The Code sets high stewardship standards for asset owners and asset managers, and for the service providers that support them.
- 2.3 The Code comprises a set of twelve 'apply and explain' Principles for Asset Managers and Asset Owners, covering purpose and governance, investment approach, engagement and exercising rights and responsibilities.

- 2.4 The Code does not prescribe a single approach to effective stewardship. It allows an organisation to meet the expectations in a manner that is aligned with its own business model and strategy. A copy of the FRC's UK Stewardship Code 2020 is set out at Appendix 2.
- 2.5 Whilst the Code is voluntary, the Fund's In-house Investment Management Team (IIMT) believes that becoming a signatory to the Code represents best practice and is in line with the Fund's approach to responsible investment as set out in the Fund's Responsible Investment Framework.
- 2.6 A copy of the Fund's proposed application for 2022 is attached at Appendix 3. The deadline for submission is 31 May 2023. The application has been prepared by the IIMT, drawing on information provided from the Fund's largest external investment managers, including LGPS Central Limited and Legal & General Investment Management. The IIMT believes that the application is aligned with the aims of the Code and demonstrates the importance that the Fund places on responsible investment and constructive stewardship and engagement with its investment managers and investee companies.
- 2.7 The application is subject to an annual update and reapplication process.
- 2.8 Whilst the application is substantially complete and no significant changes are anticipated prior to submission to the FRC, the application contains a number of square brackets where outstanding information is required. These square brackets will be finalized prior to final submission. It is recommended that approval for the final submission is delegated to the Director of Finance & ICT, in consultation with the Chair of the Pensions and Investments Committee.
- 2.9 The Code requires that the application is reviewed by the applicant's governing body (i.e. the Fund's Pensions and Investments Committee), and signed by the chair, chief executive or chief investment officer.
- 2.10 Once the applicant has been accepted as a Code signatory and the application is approved by the FRC, the application will be a public document.

- 2.11 If the Fund's application is approved, it will be published on the Pension Fund's website.

### **3. Implications**

- 3.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

### **4. Background Papers**

- 4.1 Papers held by the Pension Fund Team.

### **5. Appendices**

- 5.1 Appendix 1 – Implications  
5.2 Appendix 2 – UK Stewardship Code 2020  
5.3 Appendix 3 – The Fund's UK Stewardship Code 2020 application

### **6. Recommendation(s)**

That Committee:

- a) approves the Fund's proposed UK Stewardship Code 2020 application (attached as Appendix 3) for submission to the FRC by 31 May 2023.
- b) delegates approval of the Fund's final UK Stewardship Code 2020 application, and approval of its submission to the FRC, to the Director of Finance & ICT, in consultation with the Chair of the Pensions and Investments Committee.

### **7. Reasons for Recommendation(s)**

- 7.1 The rationale for the recommendations is set out in Section 2.

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**Implications**

**Financial**

1.1 None

**Legal**

2.1 The Code is voluntary. A party can be removed as a signatory if incorrect or misleading representations are made as part of the application. Approval of signatories is solely at the discretion of the FRC. An annual submission must be made and there is no obligation on the Fund to reapply should it wish to cease being a signatory to the code.

**Human Resources**

3.1 None

**Information Technology**

4.1 None

**Equalities Impact**

5.1 None

**Corporate objectives and priorities for change**

6.1 None

**Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None