

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

29 September 2011

STEWARDSHIP CODE COMPLIANCE STATEMENT

Purpose of the Report

1. This report provides Members with a Stewardship Code Compliance statement for the Fund for consideration and approval.

Background

2. Following the financial crisis one of the recommendations of the Walker review (Walker Review of Corporate Governance of the UK Banking Industry – published November 2009) was that the Financial Reporting Council (FRC) should have responsibility for a new Stewardship Code, setting out best practice in respect of investor engagement. This would be based on the institutional Shareholders Committee (ISC) document ‘the Responsibilities of Institutional Shareholders and Agents’.

Consideration for the Committee

3. At the start of July 2010 the FRS published its version of the Stewardship Code. It is now expected that institutional investors publish a statement in respect to their adherence, or otherwise, to the Code in a way that mirrors ‘comply or explain’ statements made by companies under the Corporate Governance Code.
4. In its report on the implementation of the Stewardship Code, the FRC states that it would “strongly encourage” all institutional investors to publish a statement on their website on the extent to which they have complied with the code. The Stewardship Code states that whilst it is principally aimed at asset managers, other institutional investor – including pension funds – are encouraged to report under it.
5. The principals are as follows –

Institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities.
 - Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.
 - Monitor their investee companies
 - Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.
 - Be willing to act collectively with other investors where appropriate.
 - Have a clear policy on voting and disclosure of voting activity.
 - Report periodically on their stewardship and voting activities.
6. The Appendix shows the proposed response statement to the Stewardship Code. The adoption of this statement ensures the Fund’s compliance with the Code. Two out of three of our global equity managers are also fully compliant with the Code.

Reasons for Proposals

7. To prepare a compliance statement in line with best practice principles.

Environmental Impact of the Proposals / Risk Assessment

8. There are no known environmental impacts or risks associated with this proposal.

Proposal

9. The Committee is asked to approve the Stewardship Code Compliance Statement.

MICHAEL HUDSON
Interim Chief Finance Officer

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Unpublished documents relied upon in the production of this report: None

UK Stewardship Code – Wiltshire Pension Fund Response

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Wiltshire Pension Fund takes its responsibilities as a shareholder seriously. Various policy documents are produced which identify how we meet our Stewardship responsibilities including our Statement of Investment Principles and Governance Compliance Statement.

In practice the Fund's policy is to apply the Code both through its arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). Investment Management take account of social, environmental and ethical considerations when making investment decisions. The objective of LAPFF is to promote the investment interest of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the forum brings together a diverse range of local authority pension funds with combined assets of over £100 billion. We also have amended our Statement of Investment Principles in recognition of the Stewardship Code.

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this by contracting to the Pensions & Investment Research Consultants Limited (PIRC) who provides a global service for a standard voting policy and casting of votes along with the provision of company research and reporting tools.

Principle 2 – Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Wiltshire Pension Fund encourages all its fund managers to have effective policies in place to address potential conflicts of interests. The need to avoid conflicts of interest is also highlighted in our investment manager mandates and contracts with external parties.

All equity managers are instructed to vote in line with PIRC recommendations. Should a conflict arise the investment manager would notify the Fund and the ultimate decision would be made by officers in consultation with the Chairman of the Pension Committee.

In respect of conflicts of interests within the Fund, Committee members are required to make declarations of interest at the start of all meetings. A public register of interest is also maintained for all Councillors.

Principle 3 – Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing our equity holdings is delegated to our appointed fund managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities. Reports from our fund managers detailing voting and engagement activities are available for the Pensions Committee on a quarterly basis.

Wiltshire Pension Fund contracts with PIRC who provides a global service for standard voting policy and casting of votes along with the provision of company research and reporting tools. All equity managers within the Fund follow the recommendations proposed by PIRC in respect of voting at Annual General Meetings (AGM's) and Emergency General Meetings (EGM's). In addition the Fund receives an 'Alerts' service from Local Authority Pension Fund Forum which highlights corporate governance issues of concern at investee companies.

Principle 4 – Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

As highlighted above, responsibility for day to day interaction with companies is delegated to the fund managers, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statement of adherence to the Stewardship Code.

Occasionally, the Fund may choose to escalate activity, principally through engagement activity through the Local Authority Pension Fund Forum. When this occurs the Chairman of the Pension Committee in communication the Vice Chairman, Chief Finance Officer and Head of Pensions will decide whether to participate in the proposed activity.

Principle 5 – Institutional investors should be willing to act collectively with other investors where appropriate.

Wiltshire Pension Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members.

Principle 6 – Institutional investors should have a clear policy on voting and disclosure of voting activities.

Wiltshire Pension Fund contracts with PIRC who provides a global service for a standard voting policy and casting of votes. The Wiltshire Pension Fund committee have reviewed and agreed to adopt the voting guidelines of PIRC. These voting guidelines are regularly updated and publicly available on their website. PIRC provide a proxy voting service for all our global equity managers.

Principle 7 – Institutional investors should report periodically on their stewardship and voting activities.

Wiltshire Pension Fund annually reviews and updates its Statement of Investment Principles, which sets out the Fund's approach to responsible investing. The activity undertaken by the Local Authority Pension Fund Forum is regularly made available to Committee.

**Wiltshire Pension Fund
September 2011**