City of Westminster

Decision Maker:	**PENSION FUND COMMITTEE**
Date:	**6 December 2022**
Classification:	**Public (Appendix 1 is Exempt)**
Title:	**UK Stewardship Code 2020**
Wards Affected:	**None**
Policy Context:	**Effective control over Council Activities**
Financial Summary:	**There are no immediate financial implications arising from this report.**
Report of:	**Phil Triggs** *Tri-Borough Director of Treasury and Pensions* **ptriggs@westminster.gov.uk 020 7641 4136**

1 Executive Summary

1.1   The purpose of this report is to present the City of Westminster Pension Fund's most recent application to the Financial Reporting Council's (FRC) UK Stewardship Code (the Code) 2020 signatory list.

2 Recommendation

2.1   The Pension Fund Committee is requested to:

- Note the attached (appendix 1) application to the FRC UK Stewardship Code 2020.

- Approve that Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person, including the authority holding that information, as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).

3   Background

3.1   The Stewardship Code is a set of principles released in 2010 and updated in 2020 by the Financial Reporting Council, directed at institutional investors who hold voting rights in United Kingdom companies. Its principal aim is to make shareholders, who manage other people's money, be active and engage in corporate governance in the interests of their beneficiaries.

3.2   The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. The Code applies to pension funds and adopts the same "comply or explain" approach used in the UK Corporate Governance Code. This means that it does not require compliance with principles but, if fund managers and institutional investors do not comply with any of the principles set out, they must explain why they have not done so.

3.3   To become a signatory of the Code, applicants must submit a Stewardship Report to the FRC demonstrating how the principles of the Code have been applied during the previous 12 months. The FRC reviews applications to assess whether they meet its expected reporting standards, and successful organisations are listed as a signatory to the Code. Once accepted onto the signatories list, organisations must reapply annually.

3.4   As detailed in the application, attached at appendix 1, the Pension Fund has made great strides during the year in relation to responsible investment and stewardship of the Fund's assets. As at 30 September 2022, the Fund had c.£58m invested within renewable infrastructure with a further c.£52m to be drawn. Assets are targeted to solar power, onshore and offshore wind, alongside supporting infrastructure such as battery storage and connection assets.

3.5   In addition, the Fund commissioned a review of its property mandates with a view to investing within social supported and affordable housing. The Pension Fund made commitments to both affordable housing and socially supported housing totalling 5% of the Fund. The allocation has a long-term goal of providing 13,000 new homes that cost no more than 35% of an average household's gross income and across sectors, including children's services housing, specialised supported housing and older person supported housing within the supported living market.

3.6   As per the most recent update to the signatories, on 7 September 2022, if the City of Westminster Pension Fund is successful in its application it will be amongst only a handful of LGPS funds in London to achieve this accolade. Westminster submitted a submission to the Code for 31 October 2022 deadline, with a decision on whether it has been successful expected during March 2023.

> **If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:**
>
> **Billie Emery bemery@westminster.gov.uk**

BACKGROUND PAPERS:

None

APPENDICES:

Appendix 1: FRC UK Stewardship Code 2020 Westminster Application (Exempt)