

# Committee Report

<b>Decision Maker:</b>	<b>PENSION FUND COMMITTEE</b>
<b>Date:</b>	<b>19 October 2023</b>
<b>Classification:</b>	<b>Public (Appendix 1 is Exempt)</b>
<b>Title:</b>	<b>UK Stewardship Code 2020</b>
<b>Wards Affected:</b>	<b>None</b>
<b>Policy Context:</b>	<b>Effective control over Council Activities</b>
<b>Financial Summary:</b>	<b>There are no immediate financial implications arising from this report.</b>
<b>Report of:</b>	<b>Phil Triggs</b> <b><i>Tri-Borough Director of Treasury and Pensions</i></b> <a href="mailto:ptriggs@westminster.gov.uk">ptriggs@westminster.gov.uk</a> <b>020 7641 4136</b>

## 1 Executive Summary

- 1.1 The purpose of this report is to present the City of Westminster Pension Fund's annual submission to the Financial Reporting Council's (FRC) UK Stewardship Code (the Code) 2020 signatory list. This follows the Fund successfully being accepted as a signatory during early 2023.

## 2 Recommendation

- 2.1 The Pension Fund Committee is requested to:
- Note and comment on the attached (appendix 1) submission 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  - Approve that Appendix 1 to this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person, including the authority holding that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 submission, 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 31 August 2023, the Fund had circa £166m invested within renewable infrastructure with a further circa £34m 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 During 2023, the Pension Fund allocated 2.5% to the London CIV UK Housing Fund, with a total allocation to affordable housing at 5%. 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 In addition to this, during late 2022, the Pension Fund Committee elected to transition the Pension Fund's holdings in the Baillie Gifford Global Alpha Growth mandate into the BG Paris Aligned version. The Paris Aligned Fund has a quantitative assessment process to screen out companies with particular levels of exposure to the fossil fuels industry, plus a qualitative one to screen out companies that will not play a role in the future transition to a low carbon environment.
- 3.7 As per the most recent update to the signatories, on 30 August 2023, the Westminster Pension Fund is amongst only a handful of LGPS funds in London to achieve signatory status. The next deadline for submission is 31 October

2023, with a decision on whether it has been successful expected during March 2024.

**If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:**

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**BACKGROUND PAPERS:**

None

**APPENDICES:**

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