

**Statement of Compliance with the UK Stewardship Code for Institutional Investors**

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**Introduction**

The UK Stewardship Code aims to enhance the quality of engagement between institutional investors and the companies with which they hold investments to assist in improving long term returns to shareholders. The North Yorkshire Pension Fund (NYPF) aims to apply the values of the code across its investment activity and believes that these values being met is essential to discharge the duty we owe to stakeholders.

This Statement of Compliance details the approach of NYPF to the seven principles of the Code.

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

The NYPF takes its responsibility as a shareholder seriously and seeks to adhere to the UK Stewardship Code wherever possible. Whilst the Fund does not currently have a specific Stewardship Policy, the Investment Strategy Statement and Governance Compliance Statement describe the Fund’s approach to stewardship; both of these policies are available on the Fund’s website.

As a responsible investor, NYPF wishes to promote corporate social responsibility and good governance practice amongst all companies in which it invests by being an engaged asset owner. The fund recognises its position as an asset owner which is ultimately responsible to its members and beneficiaries and appreciates that effective stewardship aids the protection and enhancement of the value of these assets. In accordance with the Stewardship Code, the Fund will seek to ensure that there is effective engagement with companies to make sure that strong governance arrangements are in place; this can ultimately have a positive impact on investment performance and therefore the funding level of the Fund. In practice, the Fund applies the code in a number of ways, including through its arrangements with investment managers and through membership of collaborative groups.

The day to day investment activity of NYPF is delegated to external investment managers, who are expected to adhere to the policies that were approved during inception, though the Fund retains the right to direct an investment manager in respect of any specific issue. The policies adhered to during inception must take account of the UK Corporate Governance Code and the UK Stewardship Code and are expected to follow the best practice contained within these codes alongside any local standards when dealing with overseas investments. Currently eight of our investment managers have a published statement of compliance to the UK Stewardship Code with the four remaining being investors in private debt and property funds. On appointment, the investment manager’s approach to stewardship is assessed. Managers are also asked to include stewardship activity in their quarterly reports that are taken to the Pension Fund Committee (PFC) for review.

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which is a collaborative shareholder engagement group for Local Authority Pension Funds who monitor corporate governance issues at investee companies and provide guidance accordingly. Members of the PFC also attend the LAPFF Annual Conference to keep up to date with the work of the LAPFF.

The exercising of voting rights is delegated to the Pension Investment Research Consultants Limited (PIRC) and executed according to predetermined Shareholder Voting Guidelines. These guidelines are agreed by the Pension Fund Committee and aligned to the UK Stewardship Code and to best practice in other jurisdictions. Votes are cast for all UK equities held by the Fund. The Fund monitors voting decisions on a regular basis.

**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**

The administering authority of the NYPF requires disclosure of any interests a Member may possess in a company or organisation which has dealings with the authority and this disclosure must be placed in the Register of Members’ Interests; this register is available on the authority’s website. In addition to the entries on the Register, Members are also asked to declare any conflicts of interest at the start of each Pension Fund Committee meeting which will be documented as part of the minutes for that meeting. Dependent upon the nature of the interest, the chairman of the PFC will ensure appropriate action is taken to prevent any conflict of interest affecting the decision making process. This requirement can be found in the Councillor’s Code of Conduct at <https://www.northyorks.gov.uk/your-council/councillors-committees-and-meetings/councillors-code-conduct>.

The Fund expects a similar approach to be taken by its investment managers and external advisors with the organisation’s Internal Controls document reviewed at inception to ensure consistency with the Fund’s own policy. These Internal Control documents are also reviewed regularly by the Fund following inception. Where any conflicts exist, these are to be reported to the Fund along with the actions taken to negate the conflict.

**Principle 3 - Institutional investors should monitor their investment companies**

The daily responsibility of managing the Fund’s investments lies primarily with the individual investment managers and as such we expect them to monitor and report on the organisations they have invested in on our behalf, intervening when necessary. The minimum requirement is a quarterly update on the investment managers’ performance and activity which is assessed against specific benchmarks and details any performance issues with the assets contained therein. To compliment this, investment managers attend the quarterly meetings to discuss aspects of the Fund and are expected to report in a timely manner any issues that have become apparent.

As noted previously, the exercising of the Funds voting rights are delegated to Pension Investment Research Consultants Limited (PIRC). The voting decisions are influenced by our membership of the LAPFF which supports the voting activity undertaken by PIRC. Both organisations monitor investee companies on our behalf and report to the Fund on a quarterly basis. The Shareholder Voting Guidelines which PIRC adhere to encourage the promotion of corporate social responsibility, good practice and improved performance which it considers to be essential elements of long term share performance.

In addition to this, the Fund also receives alerts from the LAPFF with regard to governance issues and liaises with the investment managers where it is appropriate to gain more knowledge and agree a course of action where it is deemed appropriate.

**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**

With the Fund’s investment managers monitoring the companies in which investments are held, it follows that any escalation in engagement activity is also undertaken by the investment managers within the guidelines that were stipulated during the initial engagement of the investment manager. Any escalation activity taken by investment managers is reported to the PFC on a quarterly basis.

On a separate basis and in conjunction with the LAPFF and PIRC, the Fund may decide to escalate engagement activity itself through a joint shareholder action where it is felt that actions by the company have resulted or could result in a loss of shareholder value or a deviation by the company which contradicts the basis on which the original investment was made. Such instances will usually be brought to the fore by the LAPFF as a result of their monitoring activities.

In extreme cases, the Fund may engage in shareholder litigation to recover any loss in value caused by the actions of an investee company. To facilitate this the Fund retains the services of companies such as the Goal Group and Grant & Eisenhower. All activity relating to this is reported on a quarterly basis to the PFC.

**Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate**

The Fund seeks to work collaboratively with other institutional investors to maximise the influence it can have on individual companies. This is achieved by being an engaged member of the LAPFF which aims to protect the long term investments of its members through promoting the highest standards of corporate governance and corporate responsibility amongst investee companies. A representative from the Pension Fund Committee (PFC) attends the annual LAPFF conference to gain an understanding of, and have input to, any proposed engagement activities.

The implementation of LGPS Pooling Arrangements will also aid acting collaboratively going forward. Pooling will increase the individual power and influence of investors in order to push for change.

The main contact for collaborative purposes is Chris Chapman, Senior Accountant for the Fund, who can be contacted by email at [chris.chapman1@northyorks.gov.uk](mailto:chris.chapman1@northyorks.gov.uk).

**Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity**

The NYPF has instructed Pension Investment Research Consultants Ltd (PIRC) to execute the voting rights for all segregated UK Equities held by the Fund and Non UK where practicable. These votes are executed by PIRC according to predetermined Shareholder Voting Guidelines agreed by the PFC which are reviewed on an annual basis and exemplify the Funds commitment to Responsible Investing and best practice. The Authorising Officer for the Fund receives advance warning of all PIRC’s intentions to vote and unless advised to the contrary, PIRC will execute those votes accordingly.

PIRC issue quarterly activity reports detailing both the way in which they voted and the recommendations on which these votes were based and these reports are made available to the Pension Fund Committee. Should PIRC raise any contentious issues these are reported to the PFC, as they will have the final say on how the vote is to be made. PIRC’s voting recommendations are available to the public and released through their website.

Voting rights which fall outside the scope of PIRC are delegated to the investment managers and expected to be exercised in line with the Shareholder Voting Guidelines and the investment manager policies which were agreed upon by the Fund. The exercising of all voting rights is to be aligned with the interests of the Fund and communicate a clear approach to issues so that companies can fully understand both the intentions and views of the Fund. Where the board’s resolutions do not meet the alignment of the Funds interests, the investment manager will either abstain from the vote or vote against the board’s resolution and communicate to the company the reasons why the resolution is not being supported.

Additional guidance issued by the LAPFF can also have a bearing on voting intentions.

The Fund does not currently participate in stock lending in its segregated accounts.

**Principle 7 - Institutional investors should report periodically on their stewardship and voting activities**

The Fund’s investment managers are required to detail in their quarterly reports any stewardship activities that have been performed in that period. These activities are reviewed by the committee on a quarterly basis.

Whilst stewardship activities have formed part of the quarterly PFC reporting and the NYPF approach to stewardship and voting activities is detailed in the Investment Strategy Statement, they have not been summarised in the annual accounts. Beginning with the 2017/18 financial year, a section will be provided in the annual accounts which details stewardship activities and an analysis of the voting activity in the year. These accounts are available to both members and the public through the Pension Fund website at [www.nypf.org.uk](http://www.nypf.org.uk/) > about the Fund > Annual Reports.