


Essex Pension Fund Investment Steering Committee	ISC 05c 
Date: 23 February 2022	

Responsible Investment - Financial Reporting Council (FRC) 2020 UK Stewardship Code Submission Update

Report by the Director for Essex Pension Fund in consultation with the Institutional Investment Consultant, Hymans Robertson and the Independent Investment Adviser, Mark Stevens

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This Report requires a decision

Executive Summary

An initial draft of the 2020 FRC UK Stewardship Code Submission has been drafted and shared with the Fund's Advisers.

The report outlines background, progress to date and the next steps for the Fund. These include:

- Incorporating some further examples from the alternative asset classes investment managers;
- Referencing the Fund's Investment Engagement Strategy;
- Updating/enhancing the Submission for the comments received out of the independent review undertaken by Hymans Robertson's Responsible Investment Team;
- A final review by Officers and Advisers (O&A); and
- Seeking approval to utilise the Out of Committee Decision Making Progress.

1. Purpose of the Report

- 1.1 To provide an update on the progress to date regarding drafting the Fund's 2020 FRC UK Stewardship Code Submission.

2. Recommendation

2.1 The Committee agree:

- that the Fund adopt the Out of Committee Decision Making process to agree the final Submission in order to meet the FRC's application deadline of 30 April 2022.

2.2 The Committee note:

- the progress to date, the proposed next steps; and
- the content of the report.

3. Background

- 3.1 At the 20 October 2020 ISC meeting, the Independent Investment Adviser provided an overview of the updated 2020 FRC UK Stewardship Code as it relates to assets holders.
- 3.2 The report introduced the Code and discussed how the Fund was placed at the time to meet the requirements of each of the twelve principles should it look to becoming a signatory. In addition, the report outlined the enhancements and next steps that the Fund would need to take if it wished to achieve the aspiration of becoming a signatory of the Code.
- 3.3 The Essex Pension Fund (EPF) Strategy Board at its 17 March 2021 meeting agreed the Three-Year Business Plan and 2021/22 Budget. This included the area of activity around the development of the Submission to become a signatory to the Code.
- 3.4 At the 16 June 2021 ISC meeting the Committee agreed a Responsible Investment (RI) Project Plan including the workstreams, timings and steps required to be undertaken to achieve the areas of activity in relation to RI and Stewardship.

4. FRC UK Stewardship Code Submission Progress to date

- 4.1 An update has been brought to each ISC meeting in respect of the Fund's progress against the RI Project Plan.
- 4.2 The Fund has now undertaken the majority of its RI engagement meetings with its Investment Managers and the outcomes have been subsequently reported back to the Committee. These engagements have allowed the Fund to develop its Investment Engagement Strategy and has provided it with sufficient information and to draft an initial Submission.
- 4.3 The draft Submission has been shared with both the Fund's Institutional Investment Consultant and Independent Investment Adviser for comment and feedback.
- 4.4 Should any Member wish to see the current draft this can be obtained on request.
- 4.5 In addition, an independent review has been undertaken by Hymans Robertson RI specialists to ensure that the Fund have covered all aspects and requirements under each of the twelve principles.

5. Next Steps

- 5.1 Officers along with Advisers are now reviewing the outcome of the independent review and will make the necessary revisions.
- 5.2 In addition, following the last round of engagement meetings with the Fund's Infrastructure Managers the Fund is now in receipt of some further examples that will be included to add weight to the Fund's Submission.
- 5.3 Following agreement, the O&A will also include the Fund's Investment Engagement Strategy within the Submission before undertaking a final review.
- 5.4 In order to meet FRC's submission deadline of 30 April 2022, O&A request that the ISC agree to the Fund utilising the Out of Committee Decision Making Process to approve the final Submission before it is submitted to the FRC.

6. Financial and Resource Implications

- 6.1 The cost will be met within the existing EPF Budget.

7. Background Papers

- 7.1 Responsible Investment (RI) Project Plan Update, ISC 05a, 23 February 2022.
- 7.2 Essex Pension Fund (EPF) - Three Year Business Plan and 2021/22 Budget, PSB 04a, 17 March 2021.
- 7.3 Financial Reporting Council (FRC) UK Stewardship Code 2020, ISC 05, 21 October 2020.