

Good practice

In this section, we describe what we see in better statements against the Code principles.

Better statements give a complete description of how signatories approach their stewardship responsibilities. Where signatories do not comply with a principle of the Code, they give appropriate explanations as to why they do not and how their approach continues to meet the spirit of the Code. The overall disclosure is sufficient for the reader to understand how the signatory approaches the recommendations set out in the guidance of the principles, and that the signatory takes stewardship seriously. The language is clear, open and transparent.

Where a signatory has other policies that cover the disclosures required by the Code, the statements provide an overview of what is covered, as well as linking to the additional policy. Similarly, they explain clearly their escalation and collective engagement approaches, even if any activity would be undertaken on a case-by-case basis. Better statements provide a named person to approach in relation to collective engagement and explain their approach and mechanism to become an insider, where relevant.

If a signatory finds it difficult to explain why they have not followed the provisions in the Code, or that the reason for not complying is that their business model does not support it, they may wish to consider if it is appropriate to continue to be a signatory to the Code.

Specific areas of reporting that you may wish to consider addressing in order to meet our reporting expectations are outlined below.

Not all elements of the Stewardship Code are directly relevant to asset owners, as they may not be undertaking stewardship activity on a day-to-day basis. Asset owners are, however, still able to make relevant statements against the Code explaining their approach to their stewardship responsibilities.

Initial assessment of Lincolnshire Pension Fund's Stewardship Code statement

In this section, for each principle, we recognise any areas of good reporting that our assessment of your organisations statements has identified. We also highlight specific areas of good reporting practice that your organisation should aim for in order to meet the FRC's reporting expectations.

Principle 1: publicly disclose their policy on how they will discharge their stewardship responsibilities. Your statement notes that you seek to adhere to the Code and encourage your asset managers to do so as well as you consider ownership rights to be central to your responsibility. You also outline that your voting is carried out at the fund level.

Better statements by signatories also:

- Give a complete picture of their monitoring of the activities of external managers that fully explains the approach they take.
- Describe their activities with reference to their position in the investment chain and their duties to clients.
- Describe how they consider their stewardship activities enhance and protect the value to clients.

Principle 2: have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

Under Principle 2 you note that you expect your external managers to have conflicts of interest policies in place, which you review as part of your monitoring processes, and that your Pension Committee members declare relevant conflicts.

Better statements by signatories also:

- Describe how they put in place, maintain and publicly disclose a conflicts of interest policy.

Principle 3: monitor their investee companies.

Your statement notes that day-to-day stewardship activities are carried out by your asset managers and you receive reports on their activities. It also mentions the Local Authority Pension Fund Forum's 'Alerts' system.

The approach to reporting under Principle 3 varies widely. Better statements by signatories:

- Explain their approach to monitoring and to monitoring their manager – ideally this includes how they monitor effectiveness.

Principle 4: establish clear guidelines on when and how they will escalate their stewardship activities.

Under Principle 4 you note that responsibility for escalation rests with your external managers but that you may consider escalating your engagement through the Local Authority Pension Fund Forum.

Better statements by signatories:

- Disclose the way in which the manager escalates engagements, and why, and state how they assess the outcomes and effectiveness of intervention.
- Discuss the topics and issues on which they would be likely to intervene, and have previously intervened, and what may trigger intervention.

Principle 5: be willing to act collectively with other investors where appropriate.

Under Principle 5 you outline that you seek to work collaboratively through your membership of the Local Authority Pension Fund Forum.

Better statements by signatories:

- Provide a named contact for this purpose.
- Describe the circumstances in which they may consider engaging collectively.

Principle 6: have a clear policy on voting and disclosure of voting activity.

Your statement notes that you retain responsibility for exercising voting rights and outlines those holdings for which you vote your shares. You note that you have a policy, advised by Manifest, that reflects best practice corporate governance standards. You clearly outline your approach to stock lending and that your high level voting activity records are publicly disclosed.

Better statements by signatories:

- Explain thoughtfully their approach to voting and supporting the board. The Code recommends that signatories do not automatically support the board, that they register abstentions or votes against where appropriate and disclose their approach to informing the company in advance in these circumstances. Divergence from these recommendations should be explained appropriately.
- Publicly disclose their voting records, or those of their managers. The more effective statements provide links to comprehensive disclosures and state the coverage of the disclosures and their timeliness.

Principle 7: report periodically on their stewardship and voting activities.

Under Principle 7 you outline that you report annually on your voting and engagement activity. You also note the quarterly reporting presented to the Pensions Committee and explain your approach to independent assurance by your managers.

Better statements by signatories:

- Disclose how they record their activities and what is recorded.

Our initial assessment of your current reporting indicates that you are likely to be considered a Tier 2 signatory to the Code in our final assessment. We encourage you to take this opportunity to improve your reporting in order to reaffirm your commitment to stewardship and better explain your approach. We will only be able to list you as a Tier 1 signatory if your reporting improves. We would be happy to discuss your reporting if you would like to contact us at stewardshipcode@frc.org.uk.