

Stewardship Code Implementation Questionnaire for Pension Funds

This questionnaire is designed to help pension funds to discharge their stewardship duties by providing a framework for disclosing their commitment (or otherwise) to the Stewardship Code. Funds may wish to complete and submit this document to the FRC as a means of demonstrating their commitment to the Code.

Funds are encouraged to refine their approach and have this reflected accordingly in the answers to the below.

Whilst the questionnaire is designed for simplicity, there are various sections throughout the form which ask for comments/details. Funds are strongly encouraged to provide as much detail in these sections as possible to enable the reader to understand the context under which the fund's stewardship practices apply.

Contact details	
Fund Name:	
Contact Name:	
Position:	
Email:	
Telephone:	

Principle 1:	Institutional investors should publicly disclose their policy on how they will discharge their Stewardship duties.
Question 1:	<p>Has the fund chosen to commit to the UK Stewardship Code?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>If you answer NO, please explain why and/or explain any alternative investment strategy (as may be required under the FSA rules):</p> <p><i>This is the end of the questionnaire for those funds which have chosen not to commit to the UK Stewardship Code.</i></p>
Question 2:	<p>Which approach has the fund adopted for stewardship?</p> <p><input type="checkbox"/> The delegated model (delegated to asset managers)</p> <p><input type="checkbox"/> The in-house model (managed internally)</p> <p><input type="checkbox"/> The outsourced model (using a third-party specialist service)</p> <p><input type="checkbox"/> A hybrid approach (partly internally managed and partly outsourced)</p> <p><i>Please give details of your approach:</i></p>
Question 3:	<p>Has the fund agreed and published a policy on how it will discharge its stewardship responsibilities?</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> Agreed, but not yet published</p> <p><input type="checkbox"/> No – please explain why:</p>
Question 4:	<p>Has the fund included its policy on stewardship (or does it intend to) within its Statement of Investment Principles (SIP) Please select all that apply.</p> <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No, but it is published elsewhere on the fund website</p> <p><input type="checkbox"/> No, but it is included within our annual report</p> <p><input type="checkbox"/> Other – please specify:</p> <p><input type="checkbox"/> Not applicable</p>
Question 5:	<p>To which asset classes does the fund's policy on stewardship apply?</p> <p><input type="checkbox"/> Listed UK equities</p> <p><input type="checkbox"/> Listed international equities</p> <p><input type="checkbox"/> Bonds and other fixed income investments</p> <p><input type="checkbox"/> Property</p> <p><input type="checkbox"/> Alternative assets</p> <p><input type="checkbox"/> Other – please specify:</p>
Question 6:	<p>Please add any further comments on how your scheme applies Principle 1 including any explanation for non-compliance:</p>

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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.
Question 1:	Does the fund have a process for managing conflicts of interest which is publicly disclosed? <input type="checkbox"/> Yes (please cite where it is disclosed) <input type="checkbox"/> No, but it is available on request <input type="checkbox"/> No
Question 2:	Does the fund monitor its external asset managers' process for managing conflicts of interest? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable (no external asset managers)
Question 3:	Does the fund monitor its investment consultant's process for managing conflicts of interest? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable (no asset consultant)
Question 4:	Please add any further comments how your scheme applies Principle 2 including any explanation for non-compliance:

Principle 3:	Institutional investors should monitor their investee companies.
Question 1:	The fund monitors its investee companies by: <input type="checkbox"/> Outsourcing monitoring to asset managers <input type="checkbox"/> Outsourcing to another third party <input type="checkbox"/> Undertaking direct engagement with companies <input type="checkbox"/> The fund does not monitor investee companies
Question 2:	Does the fund oversee their managers' compliance with the agreed policies? <input type="checkbox"/> Yes, we receive a regular monitoring report. <input type="checkbox"/> Yes, we question our investment managers on high profile cases during manager reviews <input type="checkbox"/> No
Question 3:	Please add further comments on how your scheme applies Principle 3 including any explanation for non-compliance:

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.
Question 1:	Does the fund have its own policy or guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value? <input type="checkbox"/> Not applicable (this function is outsourced to the asset manager) <input type="checkbox"/> Yes – please cite if/where it is disclosed: <input type="checkbox"/> No
Question 2:	Please add further comments on how your scheme applies Principle 4 including any explanation for non-compliance:

Principle 5:	Institutional investors should be willing to act collectively with other investors where appropriate.
Question 1:	Does the fund undertake collective engagement? <input type="checkbox"/> This function is outsourced to the asset manager <input type="checkbox"/> This function is outsourced to a third party <input type="checkbox"/> Yes <input type="checkbox"/> No
Question 2:	Please add further comments on how your scheme applies Principle 5 including any explanation for non-compliance:

Principle 6:	Institutional investors should have a clear policy on voting and disclosure of voting activity.
Question 1:	Does the fund have its own voting policy?

	<input type="checkbox"/> The fund applies the NAPF's Corporate Governance Policy & Voting Guidelines <input type="checkbox"/> This function is outsourced to asset managers <input type="checkbox"/> Yes <input type="checkbox"/> No
Question 2:	Does the fund delegate any voting to its asset managers? <input type="checkbox"/> Yes, all voting is delegated to asset managers <input type="checkbox"/> Yes, some voting is delegated to asset managers <input type="checkbox"/> This function is outsourced to the proxy voting agency or another third party <input type="checkbox"/> No
Question 3:	If voting is outsourced to an asset manager, does the fund monitor the voting activity of its managers? <input type="checkbox"/> Yes <input type="checkbox"/> No
Question 4:	Does the fund disclose information on voting? <input type="checkbox"/> Yes both voting policy and voting activity– please cite where it is disclosed: <input type="checkbox"/> Just voting policy – please cite where it is disclosed: <input type="checkbox"/> Just voting activity– please cite where it is disclosed: <input type="checkbox"/> Not currently, but intends to do so – please note from when: <input type="checkbox"/> This function is outsourced and information can be found here: <input type="checkbox"/> No
Question 5:	Does the scheme have a policy on stock lending? <input type="checkbox"/> Yes <input type="checkbox"/> No
Question 6:	Please add further comments on how your scheme applies Principle 6 including any explanation for non-compliance:

Principle 7:	Institutional investors should report periodically on their stewardship and voting activities.
Question 1:	Does the fund review its internal and/or external asset managers' stewardship reports and if so how often? <input type="checkbox"/> Yes, Quarterly <input type="checkbox"/> Yes, Annually <input type="checkbox"/> Yes, Every 2 – 3 years <input type="checkbox"/> No, Never
Question 2:	Does the fund make such reports available to members? <input type="checkbox"/> Yes <input type="checkbox"/> No
Question 3:	Does the fund make these publicly available? <input type="checkbox"/> Yes – please cite where it is disclosed: <input type="checkbox"/> No
Question 4:	Does the fund require verification of the asset managers' engagement and voting processes? <input type="checkbox"/> Yes, we require formal certification – e.g. AAF01/06 - of asset managers' activities <input type="checkbox"/> Yes, we require internal audit (but not formal certification) of asset managers' activities <input type="checkbox"/> No
Question 5:	Please add further comments on how your scheme applies Principle 7 including any explanation for non-compliance:

General comments
Do you have any further general comments on the Stewardship Code and how you apply its Principles, :

Please email the completed Stewardship Code Implementation Questionnaire to:
stewardshipcode@frc.org.uk

NAPF Contact

Will Pomroy, Policy lead: Corporate Governance - Will.Pomroy@napf.co.uk

Guidance for pension fund application of the Stewardship Code

Committing to the Code may seem complex or at first sight perhaps not directly relevant to smaller funds. However, while funds may outsource to others many of the activities associated with stewardship, they do not delegate their responsibility for stewardship. In addition size alone is not seen as an impediment to effective application of the Code, as smaller funds usually delegate investment management to a third party, which should be competent to meet the requirements of the Code.

A fund's commitment to the Code may include engaging directly with companies or more likely indirectly through the mandates given to their investment managers. They should clearly set out their policies on stewardship to their managers and seek to hold them to account for their stewardship activities. In so doing, they better fulfil their duty to their beneficiaries to exercise stewardship over their assets.

We set out below the Code's seven Principles, along with suggestions as to how funds should apply them. Funds may wish to utilise this when making their disclosures under the Code. We have particularly focussed on those funds which delegate investment management to a third party.

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

Pension funds should include within their Statement of Investment Principles (SIP) their policy in relation to the exercise of stewardship responsibilities such as engagement and voting as well as the extent to which non-financial factors including corporate governance should be incorporated within investment decisions.

A detailed policy description should be provided by the funds' investment managers and this should be consistent with the funds' own stewardship policy.

Trustee question: Do we have a clear policy which is incorporated into our investment management agreements and/or Statement of Investment Principles?

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

Trustees will already have a policy in relation to conflicts of interest, which should be extended to cover investment matters. They should have an explicit policy for dealing with conflicts with the sponsor(s) which may arise over corporate governance or voting.

Likewise funds' investment managers should clearly state in their investment management agreement how they propose to address conflicts. Both should agree at the start which issues, if any, are reserved for the decision of the trustees.

Trustee question: How do we address conflicts of interest which may arise from stewardship issues?

Principle 3: Institutional investors should monitor their investee companies

For those funds which delegate investment management to third parties, a monitoring report should form an integral part of the regular reporting material which they receive from their advisers or agents. Funds should not be expected to duplicate the work of their investment managers, but it is the trustees' responsibility to ensure that sufficient time is given to overseeing their managers' compliance with the agreed policies.

Trustee question: How effectively and regularly do our managers monitor companies in which they've invested?

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

This again is a matter for contractual agreement between the fund and its investment manager. Funds should be aware of when concerns have been escalated in the way envisaged in the Code and understand how their interests have been protected as a result.

Trustee question: Can our managers cite examples of escalation of their concerns, and what happened?

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

Funds should encourage collaboration between investment managers as a means of more effective engagement. They should be clear about their managers' approach and should expect a report on such collaboration. The NAPF also supports more direct involvement by funds in such efforts where the presence of the end-owner of the stock may add weight to the arguments and ensure that their views are properly conveyed to the company concerned – the NAPF is happy to help facilitate such engagement.

Trustee question: Are our fund managers committed to collaborating with others, when appropriate?

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

Funds are expected to state their voting policy and summarise their voting activity to members. While there is no value in boiler-plate reporting it is clear that there is growing support for improved disclosure – indeed many funds and their managers already provide a good standard of public disclosure. Funds should be clear and be able to communicate that their votes have been exercised and how so in the more contentious instances.

Trustee question: Does the fund have a voting policy whose application is clear from the reports produced?

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

For funds, we recognise that there are significant practical problems around disclosure, but encourage them to report annually to their members, setting out the key voting issues during the year and how the fund's managers addressed them. Each year there are several meetings which are especially important and worthy of comment. Such an approach demonstrates that there is effective monitoring of the investment managers.

Given the size of most portfolios it is not practical to expect the manager to report on each stock held, nor necessarily of interest, but we expect investment managers' reporting to trustees to demonstrate not only that procedures are in place covering engagement and voting, but also how effective the engagement activity has been in protecting their client's interests. For example how do they plan to engage with key holdings which have performed poorly over a period of time?

Trustee question: How effective is communication with investment managers, and thereafter to members, on engagement?