

Nationwide Pension Fund

The UK Stewardship Code

Introduction

The Trustee of the Nationwide Pension Fund (the Fund) supports the principles of the UK Stewardship Code and seeks to implement these within its investment activity where appropriate, as described in this statement.

The primary objective of the Trustee is to ensure it can meet its obligations to current and future beneficiaries of the Fund. It recognises that a company's long term financial success is influenced by a range of factors which can include appropriate management of environmental, social and corporate governance issues. Consequently the Trustee seeks to be an active long-term shareholder.

The Fund adheres to the Code's principles as follows:

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

The Fund's policy is to discharge its stewardship responsibilities through its external investment managers, to which it delegates day-to-day investment management activity. The Trustee encourages its managers to adhere to the principles of the Code and monitors their stewardship activity on a regular basis. The Trustee recognises that the Stewardship Code applies primarily to UK equities, however where possible we encourage all of our equity managers to adhere to the principles of the code wherever they invest.

2. Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be disclosed

As the pension fund of a mutual society the Fund does not have the same potential conflicts of interest as some other investors. However, we encourage all our investment managers to have an effective documented policy to address conflicts of interest with regard to stewardship activities and share these with the Trustee.

3. Institutional investors should monitor their investee companies

Day-to-day responsibility for the management of the Fund's equity holdings is delegated to its external investment managers, and monitoring investee companies is considered a core part of this responsibility where consistent with the investment style. The Fund's equity managers are encouraged to consider company performance on relevant matters including environmental, social and corporate governance issues within investment analysis and monitor this on an ongoing basis.

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

The Trustee recognises that exercising voting rights and engaging with company management can be effective tools to mitigate risk and protect and enhance shareholder value. The Trustee delegates voting and engagement to its external managers and encourages them to outline when and how they will escalate their activities (e.g. within their Stewardship Code statements or other equivalent documents).

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

The Trustee aims to keep abreast of industry best practice, and supports the work of industry groups such as the National Association of Pension Funds (NAPF) to promote this. The Trustee would only expect to be involved directly in collective engagement with companies in exceptional circumstances, and most likely through industry organisations. The Trustee encourages the Fund's investment managers to collaborate with other investors when a collective approach is deemed to be the most effective way to protect shareholder value.

6. *Institutional investors should have a clear policy on voting and disclosure on voting*

The Trustee delegates its voting rights to its external investment managers and encourages them to exercise these wherever it is practical to do so. The investment managers should have documented policies in place which outline their voting approach which are in line with relevant industry best practice. Investment managers are required to report regularly to the Trustee on their voting activities, and these reports form part of the regular manager review activity.

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

The Trustee requires its investment managers to report regularly to them on their stewardship and voting activities. Investment managers are also encouraged to assess and report the impact of their engagement activity where possible.

At present the Trustee does not publish voting reports but encourages its investment managers to do so.



Stuart Bernau
Chairman of Trustee
Nationwide Pension Fund

Date 14 March 2012

Stewardship Code Implementation Questionnaire for Pension Funds

This questionnaire is a supplement to the NAPF's Stewardship made simple guide, which was developed by the NAPF in conjunction with Aviva Investors. The made simple guide can be made available by contacting the NAPF.

The questionnaire is designed to help pension funds to discharge their stewardship duties by providing a basic framework for disclosing their commitment (or otherwise) to the UK Stewardship Code. Funds may wish to submit the document to the Financial Reporting Council (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 questionnaire and supporting comments. Similarly, the NAPF will periodically review the questionnaire in light of developing best practice on stewardship and the implementation of the Code.

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 (and the FRC) to understand the context under which the fund's stewardship practices apply.

Contact details	
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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 checked="" type="checkbox"/> Yes <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 who have chosen not to commit to the UK Stewardship Code does.</i></p>
Question 2:	<p>Which approach has the fund adopted for stewardship?</p> <p><input checked="" type="checkbox"/> The delegated model (delegated to asset managers) <input type="checkbox"/> The in-house model (managed internally) <input type="checkbox"/> The outsourced model (using a third-party specialist service) <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 checked="" type="checkbox"/> Agreed, but not yet published</p> <p><input type="checkbox"/> The fund intends to use this completed questionnaire as its initial policy on stewardship</p> <p><input type="checkbox"/> No – please explain why:</p> <p><i>Please add additional comments about the fund's policy:</i></p>
Question 4:	<p>If applicable, where has the fund published (or where does it intend to publish) its policy on stewardship? Please select all that apply.</p> <p><input checked="" type="checkbox"/> Fund website</p> <p><input type="checkbox"/> Annual report</p> <p><input checked="" type="checkbox"/> Statement of Investment Principles</p> <p><input checked="" type="checkbox"/> Other – please specify: FRC website</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 checked="" type="checkbox"/> Listed UK equities</p> <p><input checked="" 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> <p><i>Please add any comments about the way in which stewardship is applied to various asset classes:</i></p>
Question 6:	<p>Please add further comments on how your scheme applies Principle 1:</p>

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:	<p>Does the fund have a process for managing conflicts of interest which is publicly disclosed?</p> <p><input type="checkbox"/> Yes (please cite where it is disclosed)</p> <p><input checked="" type="checkbox"/> No, but it is available on request</p> <p><input type="checkbox"/> No</p>
Question 2:	<p>Does the fund monitor its external asset managers' process for managing conflicts of interest?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> Not applicable (no external asset managers)</p>
Question 3:	<p>Does the fund monitor its asset consultant's process for managing conflicts of interest?</p> <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p><input type="checkbox"/> Not applicable (no asset consultant)</p>

Question 4:	If the fund answered NO to any of the above questions, please explain why: Process for monitoring asset consultant's conflicts of interest processes to be developed.
Question 5:	Please add further comments on how your scheme applies Principle 2:

Principle 3:	Institutional investors should monitor their investee companies.
Question 1:	<p>The fund monitors its investee companies by:</p> <p><input type="checkbox"/> Undertaking direct engagement with companies</p> <p><input checked="" type="checkbox"/> Outsourcing monitoring to asset managers</p> <p><input type="checkbox"/> Outsourcing to another third party</p> <p><input type="checkbox"/> Passive monitoring (eg through online media alerts)</p> <p><input type="checkbox"/> The fund does not monitor investee companies</p>
Question 2:	<p>If the fund outsources the monitoring of investee companies, please explain the extent to which the fund oversees this process:</p> <p>Annual monitoring of managers conducted by investment consultant</p>
Question 3:	If the fund does not monitor its investee companies in any way, please explain why:
Question 4:	Please add further comments on how your scheme applies Principle 3:

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:	<p>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?</p> <p><input type="checkbox"/> Yes – please cite if/where it is disclosed:</p> <p><input type="checkbox"/> No</p> <p><input checked="" type="checkbox"/> Not applicable (this function is outsourced to the asset manager)</p>
Question 2:	<p>Does the fund have a clear understanding of its asset managers' guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> Not applicable (no external asset managers)</p>
Question 3:	If the fund answered NO to any of the above questions, please explain why:
Question 4:	<p>Please add further comments on how your scheme applies Principle 4:</p> <p>Annual monitoring of managers by investment consultant covers this point</p>

Principle 5:	Institutional investors should be willing to act collectively with other investors where appropriate.
Question 1:	<p>Does the fund support the principle of collective engagement?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>

Question 2:	Does the fund itself undertake collective engagement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input checked="" type="checkbox"/> This function is outsourced to the asset manager <input type="checkbox"/> This function is outsourced to a third party
Question 3:	Does the fund monitor its managers' use of collective engagement? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable If YES, please give brief details of the fund's monitoring process: Via the investment consultant's annual manager monitoring
Question 4:	If you answered NO to any of the above questions, please explain why:
Question 5:	Please add further comments on how your scheme applies Principle 5:

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"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> This function is outsourced to asset managers
Question 2:	Does the fund publicly disclose its voting policy? <input type="checkbox"/> Yes – please cite where it is disclosed: <input type="checkbox"/> No <input checked="" type="checkbox"/> Not applicable, this function is outsourced
Question 3:	If the fund answered NO to Question 1 or Question 2, please explain why:
Question 4:	Does the fund delegate any voting to its asset managers? <input checked="" 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 5:	Where the fund outsources voting to its asset managers, does the fund monitor the voting activity of its managers? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Question 6:	Does the fund publicly disclose its voting activity? <input type="checkbox"/> Yes – please cite where it is disclosed: <input type="checkbox"/> Not currently, but intends to do so – please note from when: <input checked="" type="checkbox"/> No <input type="checkbox"/> Not applicable, this function is outsourced
Question 7:	If the fund answered NO to Question 5 or Question 6, please explain why: At present the Trustee does not publish voting reports but encourages its investment

	managers to do so.
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Question 8:	Please add further comments on how your scheme applies Principle 6:
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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 checked="" 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 checked="" type="checkbox"/> No
Question 3:	Does the fund make these publicly available? <input type="checkbox"/> Yes – please cite where it is disclosed: <input checked="" type="checkbox"/> No
Question 4:	Will the fund require verification of the asset managers' stewardship activities? <input type="checkbox"/> Yes, will require formal certification (eg SAS70 or AAF01/06) of asset managers' activities <input type="checkbox"/> Yes, will require internal audit (but not formal certification) of asset managers' activities <input checked="" type="checkbox"/> No, verification will not be required
Question 5:	If the fund answered NO to any of the above questions, please explain why: Investment consultant monitors managers' stewardship reports and the Fund's managers are encouraged to publically disclose voting activity.
Question 6:	Please add further comments on how your scheme applies Principle 7:

General comments
If you have any general comments on the Stewardship Code and how you apply its Principles, please add them here:

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

NAPF Contacts (for general queries and an electronic version of the Questionnaire)

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