

Corporate Governance and Stewardship
Financial Reporting Council
8th Floor
125 London Wall
LONDON
EC2Y 5AS

27 March 2019

Dear Sir/Madam,

Consultation on Revision to the UK Stewardship Code

The Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) administers the Local Government Pension Scheme for Northern Ireland. It is a funded defined benefit scheme with assets of approximately £7.5 billion and invests in a range of asset classes and strategies including equities, fixed income, real estate and infrastructure.

NILGOSC believes that environmental, social and corporate governance (ESG) issues can affect the performance of investments. Accordingly, NILGOSC believes that these factors should be taken into account when managing the Scheme's assets, subject to the overriding fiduciary duty to maximise the financial return on investments. Information about NILGOSC's Responsible Investment policies and activity is available at <http://www.nilgosc.org.uk/responsible-investment>.

We wish to make the following comments in response to the consultation document:

Q2. Do the Principles set sufficiently high expectations of effective stewardship for all signatories to the Code?

NILGOSC considers that the Principles, combined with the Code's reporting requirements, set high expectations for effective stewardship.

Q3. Do you support 'apply and explain' for the Principles and 'comply or explain' for the Provisions?

NILGOSC supports this approach.

Q4. How could the Guidance best support the Principles and Provisions? What else should be included?

Especially at the beginning of implementation of the new code, further guidance on what the Policy and Practice Statement and the Annual Activities and Outcomes document might look like would be welcome, while recognising the need for this not to be too prescriptive.

While some of the guidance differentiates between Asset owner and Asset Manager signatories, NILGOSC would welcome this approach across more of the guidance, especially where the provisions are separated.

NILGOSC supports the suggestion that the Guidance be updated more frequently than the code to reflect emerging best practice. Examples of good practice could be added after the annual evaluation of signatories' reports.

Q5. Do you support the proposed approach to introduce an annual Activities and Outcomes Report? If so, what should signatories be expected to include in the report to enable the FRC to identify stewardship effectiveness?

Q6. Do you agree with the proposed schedule for implementation of the 2019 Code and requirements to provide a Policy and Practice Statement, and an annual Activities and Outcomes Report?

NILGOSC supports the introduction of a method to evaluate how signatories are implementing the Code. However, there are some concerns regarding the resources required to produce the report.

While it is suggested that signatories may signpost other reporting frameworks to fulfil some of the reporting requirement, the "Becoming a signatory to the Code" section indicates that the Annual Activities and Outcomes Report should describe activities over the preceding 12 months. Given the time taken to produce such a report, and the differing periods which may be being reported on in other frameworks, increased clarity on acceptable reporting periods would be welcomed.

Q8. Do you agree that signatories should be required to disclose their organisational purpose, values, strategy and culture?

NILGOSC supports this requirement.

Q9. The draft 2019 Code incorporates stewardship beyond listed equity. Should the Provisions and Guidance be further expanded to better reflect other asset classes? If so, please indicate how?

NILGOSC considers that the current provisions are adequate to reflect increasing interest in stewardship of other asset classes. However, given that this is an area where best practice is less developed, additional guidance could be useful. Without prescribing a particular approach, examples of good practice would be welcomed.

Q12. Does Section 3 set a sufficiently high expectation on signatories to monitor the agents that operate on their behalf?

NILGOSC believes a sufficiently high expectation has been set but would welcome additional differentiation of guidance on provision 14 between Asset Owners and Asset Managers, while recognising that there may be overlap.

Q13. Do you support the Code's use of 'collaborative engagement' rather than the term 'collective engagement'? If not, please explain your reasons.

NILGOSC supports the use of the term "Collaborative Engagement". We agree that it appears to be the more widely used term and is the term used in NILGOSC's own policy documents.

Q15. Should Section 5 be more specific about how signatories may demonstrate effective stewardship in asset classes other than listed equity?

NILGOSC welcomes the addition of references to other asset classes in the code. While the provisions are considered adequate, NILGOSC would welcome guidance on how stewardship across different asset classes may be demonstrated. While the guidance does make reference

to bondholder engagement, further examples, and increased clarity around the examples provided, would be useful. Guidance on Provision 23 could be expanded to reference more asset classes and include examples of possible approaches.

Additional Comments

NILGOSC would have liked to have seen some evidence of alignment, or other reference, to the TCFD recommendations.

We look forward to hearing the outcome of the consultation exercise and hope that the above comments contribute to the process. If you have any queries, please do not hesitate to contact me.

Yours sincerely,



Louise Hickland
Investment Services Manager