



North East Scotland Pension Fund

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Statement of Compliance with UK Stewardship Code

October 2017

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Introduction

The Fund supports the UK Stewardship Code and as part of its commitment to best practice seeks to apply the principles in the code to its investment activity.

The Principles of the Code

The Fund's position on implementing the Principles is detailed below:

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

The Fund seeks to adhere to the Stewardship Code, and delegates its day to day responsibility for monitoring and intervening in companies to its appointed asset managers. Stewardship is seen as part of the responsibilities of share ownership, and therefore an integral part of the investment strategy.

The Fund's Corporate Governance and Corporate Social Responsibility Policy and Stewardship compliance statement are available on our website; both these policies are reviewed on an annual basis.

The Fund seeks to apply the Stewardship Code through its membership of the Local Authority Pension Fund Forum (LAPFF) and through being a signatory of the United Nations Principles for Responsible Investment (UNPRI).

The Fund uses the voting advisory services of PIRC, we use their recommendations but incorporate additional information we receive from LAPFF through Alerts and UNPRI.

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

The Fund encourages its appointed asset managers to have effective policies addressing potential conflicts of interest.

Principle 3 – Institutional investors should monitor their investee companies

The day to day responsibility for managing our equity holdings is delegated to our appointed asset managers who are expected to monitor the companies they invest in. The Fund's active managers report to the Fund on a regular basis regarding their monitoring of investee companies.

In addition financial publications are scrutinized in-house for any issues that affect the companies we invest in and the Fund receives Alerts from LAPFF which highlights corporate governance issues of concern at investee companies, which we will incorporate in our voting decisions.

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

As highlighted above responsibility for day to day interaction with companies is delegated to the Fund's asset managers, including escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code. We hold a copy of our manager's statements and monitor their compliance on an annual basis.

More escalated activity is directed through the LAPFF who will engage directly with investee companies to protect and enhance shareholder value. If deemed appropriate the Fund will participate in shareholder litigation.

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

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the LAPFF and UNPRI.

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

The Fund views voting as an integral part of the Code, with all actively invested asset voting carried out in-house, using the voting advisory services of PIRC. In addition to the UK PIRC covers the major markets of Europe, North America and the Far East.

Our voting policy is incorporated in our Corporate Governance and Corporate Social Responsibility Policy and the Fund's voting record is published in our Annual Report and on our website.

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

A section in the Annual Report is dedicated to reporting on the Fund’s shareholder governance activity, including an annual summary of its proxy voting activity. The report further details activity undertaken through the LAPFF and UNPRI.

Further Information

If you have any questions relating to this Statement please contact the **Governance Team**:

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