

Wiltshire Pension Fund, Statement of Compliance with Stewardship Code 2016

WILTSHIRE PENSION FUND

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

Wiltshire Pension Fund takes its responsibilities as a shareholder seriously. Our stewardship responsibilities extend over all assets of the Fund. All of our global equities managers currently comply fully with the code.

The Fund has published policy documents which identify how we meet our Stewardship responsibilities and these include, but are not limited to, our Statement of Investment Principles, our Voting Policy and our Governance Compliance Statement. These documents cover the following areas:

- Monitoring of manager decisions
- The exercise of voting rights
- Risk measurement and management
- ESG consideration in the Tender selection, retention and realisation of investments.
- Statement of compliance with the Myners Principles
- Stock lending

In practice the Fund's policy is to apply the Code both through its arrangements with asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF). In addition, the Fund expects its Asset Managers to take account of social, environmental and ethical considerations when making investment decisions. The objective of LAPFF is to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest. Formed in 1990, the forum brings together a diverse range of local authority pension funds with combined assets of over £175 billion.

The Fund seeks to use its position as a shareholder to actively encourage good corporate governance practice in those companies in which it invests. It does this in Partnership with Pensions & Investment Research Consultants Limited (PIRC).

We have amended our Statement of Investment Principles in recognition of the revised Stewardship Code which came into effect in October 2012. Furthermore, The Wiltshire Pension Fund published its compliance with the Code during 2011 and this is reviewed annually.

All new investment management agreements will now include the requirement for managers to observe the FRC's UK Corporate Governance Code and UK Stewardship code. Due diligence is carried out whenever a new manager is appointed. Reliance is also placed in Financial Conduct Authority's registration.

All relevant managers have published a Statement of Commitment to the code (see appendix 1 which lists the links to these statements) and all appropriate managers, (or in the case of one manager, their parent company), are signatories to the UN PRI, as evidenced on the UN PRI website.

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.

Wiltshire Pension Fund encourages all its asset managers to have effective policies in place to address potential conflicts of interest. The need to avoid conflicts of interest is also highlighted in our asset manager mandates and contracts with external parties.

All equity managers are instructed to vote in line with PIRC recommendations. Should a conflict arise the asset manager would notify the Fund and the ultimate decision would be made by officers in consultation with the Chairman of the Pension Committee.

In respect of conflicts of interests within the Fund, Committee members are required to make declarations of interest at the start of all Committee and Investment sub-group meetings. A public register of interests is maintained for all Councillors and could be subject to audit inspection at any time. Members are responsible for updating their register as and when their interests change. This is overseen by the Monitoring Officer. If a member declares that they have an interest at the start of a meeting, then the context would determine the action that would be taken i.e. if they declare that they have an interest that is either personal or financial to an item on the agenda, then they would more than likely be asked to leave the room for that item and would be excluded from any voting activities. It is also worth noting that all members, including members of the Wiltshire Pension Fund Committee, are covered by a code of conduct and this can be viewed on the Council's website at the following link

<http://cms.wiltshire.gov.uk/documents/s120932/Part%2012%20-%20Code%20of%20Conduct.pdf>

Wiltshire Pension Fund is administered by Wiltshire Council. All non-teaching employees of Wiltshire Council (which includes members of staff employed by Wiltshire Pension Fund) are governed by the Council's Code of Conduct which is published on the Council's website. The Code of Conduct includes a section on conflicts of interest and the expectations placed upon Council employees (the requirement to handle public funds in a responsible and lawful manner for example). Any member of staff found to be in breach of the policy may be the subject of disciplinary action and could be subject to dismissal. This includes staff who administers the investment side of the Fund. The Council also has a whistleblowing policy to enable staff to raise any concerns that they may have.

All of the Fund's managers have confirmed that they have conflict of interest policies in place and these are subject to regular review. All managers have confirmed that they have a conflict of interests board/ separate Committee to monitor and investigate conflicts of interest.

Principle 3 – Institutional investors should monitor their investee companies.

Day-to-day responsibility for managing our equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back regularly on engagement activities. Reports from our asset managers detailing engagement activities are available for the Pensions Committee on a quarterly basis. The Fund understands that regardless of this delegation, we retain overall responsibility for the Stewardship and responsible investment of the Fund assets.

The Fund engages with its asset managers on a regular basis using a variety of means including phone, email, in person and using formal written correspondence. The Fund uses its engagement with managers to monitor performance, evaluate risk, and to become aware of any ESG issues and opportunities.

Wiltshire Pension Fund monitors its asset managers very closely. We receive quarterly performance reports from each manager and information in the reports is discussed with managers at our meetings with them and also reported to and reviewed by Committee every quarter. The Fund also employs the services of an investment consultant. The investment consultant assists the Fund in the monitoring of its managers and produces a Quarterly Performance Update for Committee which provides an overview of manager performance and raises any corporate, social or governance issues for consideration by the Committee. Each of the managers meets with Committee once a year, and also with officers of the Fund once a year. Additional meetings with managers may also be arranged on an ad-hoc basis according to need. Manager performance is also reported annually in the Fund Annual Report which is published on the Fund website and made widely available to stakeholders.

The Fund receives Internal Control Reports from managers and our custodian every year and these are reviewed by officers of the Fund annually.

The Fund expects its managers to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments and believes that this forms part of the manager's fiduciary duty to protect long term shareholder value. As such, the Fund has a commitment to ensuring that companies that it invests in adopt a responsible attitude toward the environment, and adopt high ethical standards and behave in a socially responsible manner by taking into account the interests of all stakeholders. The Fund seeks to achieve this objective by raising issues with companies in which it invests, to raise standards in a way that is consistent with long term shareholder value. Again, the Fund primarily uses its membership of LAPFF to affect this policy.

Wiltshire Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which has enabled us to develop our approach to shareholder engagement and responsible investment. Collective engagement through LAPFF enables us to maximise our influence. Officers of the Fund regularly attend LAPFF business meetings, which include presentations from expert speakers and detailed updates on engagement and policy work.

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Fund receives quarterly reports from PIRC and these are published and made available to members in a secure area on the Wiltshire Pension Fund website. Furthermore our membership of PIRC enables us to benefit from their voting alerts service which highlights companies with material corporate governance failings. Full details of the alerts can be viewed on the LAPFF website in the members' area.

As an asset owner, Wiltshire Pension Fund owns a proportion of the assets we invest in and thus we seek to use our influence as an asset owner to encourage the companies we invest in to act in a responsible manner.

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 managers, including the escalation of engagement. Their guidelines for such activities are anticipated to be disclosed in their own statement of adherence to the Stewardship Code (see appendix 1 below) and may include the following activities:

1. Additional Meetings with management
2. Intervening jointly with other institutions – e.g. Fund managers have shown support for LAPFF alerts by publishing their voting intention online prior to AGM's
3. Promotion of UNPRI principles
4. Writing a letter to the board or meeting the board
5. Submitting resolutions at general meetings and actively attending to vote

6. Divestment of shares

Occasionally, the Fund may choose to escalate activity directly, principally through engagement activity by the Local Authority Pension Fund Forum. When this happens the Chairman of the Pension Committee, in communication with the Vice Chairman, Treasurer to the Pension Fund and Head of Pensions will decide whether to participate in the proposed activity. Any concerns with the managers are added for discussion in the Investment Committee agenda and where there are specific concerns, the relevant managers will be invited to Investment Subcommittee to discuss concerns. As mentioned above, the Fund employs the services of an investment consultant, who, along with officers of the Fund, closely monitors the performance of the Fund Asset Managers. They help the Fund to monitor performance of the Fund and flag up any issues that it feels require consideration. The Investment Consultant will attend Committee meetings and assist the Committee in the questioning of the managers and in the discussions that follow, helping the Committee by providing any guidance they need to help them to make the right decisions for the Funds interests. Further details are contained within the SIP which is available on the Wiltshire Pension Fund website and can be found on the following link

<http://www.wiltshirepensionfund.org.uk/statement-of-investment-principles-2015.pdf>.

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

Wiltshire Pension Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund acts collectively with other Funds and organisations through a variety of means. This includes (but is not limited to) networking with other Funds, through participation in the Brunel Pension Partnership project (pooling of LGPS investment activities) and through our membership of the Local Authority Pension Fund Forum, LAPFF, which engages with companies over environmental, social and governance issues on behalf of its members.

The Fund also works closely with its asset managers, engaging with them on a regular basis and with other organisations such as LAPFF and PLSA. All of our managers work closely with other organisations as part of their collaborative engagements, advocacy and research activities, details of which are given in their quarterly and annual reports which are reported to Committee.

Each year, various officers and members of the Pension Committee attend LAPFF business meetings which include presentations from expert speakers and detailed updates on engagement and policy work. The Fund uses its membership of LAPFF to work collaboratively with other organisations, to engage in the companies in which it invests, the idea being that the Fund will wield more influence by collaboratively engaging with other investors.

The Fund collaborates and works closely with other Funds on various projects such as the National Pooling Initiative. Representatives from the Fund regularly attend various pension forums and conferences in order to stay abreast with the latest developments affecting LGPS pensions and investment markets and to use it as an opportunity to network and collaborate with other Funds and organisations connected to the LGPS and in doing so, benefit from the opportunities this presents.

The Fund's contact in relation to Stewardship activities is Rozalyn Vernon, Pension Fund Accountant.

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

Wiltshire Pension Fund manages its ownership responsibilities in partnership with PIRC. The Wiltshire Pension Fund committee have reviewed and agreed to adopt PIRC's shareholder voting guidelines. These voting guidelines are regularly updated and publicly available on their website. PIRC provide a proxy voting service across the holdings of all our global equity managers. PIRC's voting guidelines, which have been approved by the Fund, are based on their expertise and track record of monitoring and developing corporate governance best practice spanning environmental, social and governance factors. They link their underlying Shareholder Voting Guidelines to the UK Corporate Code, published by the Financial Reporting Council in 2010 and subsequent revisions. PIRC's approach to best practice in corporate governance also in some areas goes beyond the existing legal and regulatory requirements. The Fund receives proxy research and voting recommendations for each company AGM and EGM holding the Fund has that can be voted. PIRC reports quarterly on its voting activity and these reports are available to Committee members through the website. PIRC are also available to present to the Committee which assists Members to play a more active role in the Fund's voting activities.

As outlined in the paragraph above, Wiltshire Pension Fund manages its ownership responsibilities through PIRC and Investment Managers do not have any voting discretion. There are on occasion times when managers put forward proposals. These will be considered by the Fund with the ultimate decision being made in consultation with the Chairman of the Pension Committee.

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

Wiltshire Pension Fund annually reviews and updates its Statement of Investment Principles, which sets out the Fund's approach to responsible investing.

Wiltshire Pension Fund uses the Local Authority Pension Fund Forum (LAPFF) to undertake engagement activity. The activity undertaken by LAPFF is regularly made available to Committee.

Voting activity is reported to members of Committee via reports received from PIRC who provide a proxy voting service to the Fund and are made available on a secure area of the WPF website that members can access. Members and officers of the Fund receive voting alerts from PIRC and full details are available on the LAPFF website in the members' area.

The Fund's managers provide reports on an annual and quarterly basis, detailing their performance against benchmark along with details of collaborative engagements, advocacy and research activities. These are reported to Committee and made available to members on a secure area of the WPF website.

We ask that all our managers provide us with a copy of their latest regulatory control report each year and these are reviewed by officers of the Fund annually and subject to periodic audit. These reports form part of the Fund's controls against the loss of Fund assets through misappropriation or fraud.

All of the Fund's managers are independently verified by an external auditor, details of which are found in their ISAE 3402 made available by request or publically on their websites. Where there are exceptions the Fund would seek clarification from managers and reports its findings to the Committee.

Wiltshire Pension Fund

September 2016

Appendix 1

Manager Stewardship Code Statements

| Manager | Link |
|----------------------------|---|
| Baillie Gifford | https://www.bailliegifford.com/about-us/literature-library/corporate-governance/global-corporate-governance-principles-and-guidelines/ (see page 8) |
| Barings | http://www.barings.com/ucm/groups/public/documents/policiesprocedures/170433.pdf |
| CBRE | Document is held directly with Wiltshire Pension Fund and is available on request |
| M&G | http://www.mandg.com/en/corporate/about-mg/responsible-investment/the-uk-stewardship-code/ |
| Investec | http://www.investecassetmanagement.com/united-kingdom/professional-investor/document/pdf/Investec-UK-Stewardship-Compliance-Statement.pdf |
| Legal & General | http://www.lgim.com/uk/en/capabilities/corporate-governance/policies/ |
| Loomis | http://www.loomissaylesinvestmentslimited.co.uk/uk/internet.nsf/content?readform&ctype=landing&channel=about&id=5-4 |

N.B. Signatories from time to time will update their policies. In the instance that the above links are no longer active the most recently submitted statements can be located on the FRC website:

<https://www.frc.org.uk/Our-Work/Codes-Standards/Corporate-governance/UK-Stewardship-Code/UK-Stewardship-Code-statements.aspx>