

RCT UK Stewardship Code

RCT Pension Fund (the Fund) recognises the role of promoting best practice in stewardship, which is considered to be consistent with seeking long-term investment returns.

The Stewardship Code is a set of best practice principles that are intended to frame both shareholder engagement with companies and the disclosure of such activity. Institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities
- Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed
- Monitor their investee companies
- Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value
- Be willing to act collectively with other investors where appropriate
- Have a clear policy on voting and disclosure of voting activity
- Report periodically on their stewardship and voting activities

The Fund's Investment Strategy Statement state that the Fund's objective is to achieve a return on Fund assets, which is sufficient, over the long term, to meet the funding objectives on an ongoing basis. The Fund's investment belief is that responsible investment can enhance long-term investment performance. As an externally managed fund, much of the day-to-day responsibilities for implementing stewardship is delegated to the Fund's investment managers.

Principles of the Code

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.

Officers of the Fund, the Pensions Investment and Administration Panel and the Pensions Committee, delegate much of the day-to-day responsibility for the stewardship of assets to the Fund's investment managers (managers) with oversight. All the Fund's equity managers are signatories of the UK Stewardship Code. All Managers are required to report on a quarterly basis to the Pension Panel, including details of votes cast on corporate resolutions and company engagement for holdings in relevant portfolios.

The Fund's policy in this area is set out in its Investment Strategy Statement and the Responsible Investment Climate Change Fund Statement which highlights:

- The exercise of voting rights
- Risk measurement and management
- Statement of compliance with the Myners Principles
- Stock Lending

The Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest

2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.

With much of the day-to-day stewardship responsibilities being delegated to investment managers, the Fund expects its managers to have effective policies addressing potential conflicts of interest.

The Pension Committee and the Investment and Administration Panel members are required to make declarations of interest prior to committee and panel meetings. There is a standing item on every agenda. Any declarations are then disclosed via the minutes of the meeting.

As a member of LAPFF, the Fund also receives 'alerts' relating to investee companies and participates in group engagement with companies.

3. Monitor their investee companies.

Day to day responsibility for managing the Fund's assets is delegated to external investment managers. The Fund expects them to monitor the companies they invest in and report back regularly on activity undertaken.

The Fund regularly meets with managers and monitoring of investee companies is discussed at these meetings. The Fund also received quarterly reports from managers detailing their voting and engagement with companies.

4. Establish clear guidelines on and when and how they will escalate their stewardship activities.

Day-to-day interaction and engagement with companies is delegated to the Fund's managers. Individual managers have their own policies for escalation of stewardship

activities and adhere to the UK Stewardship Code. Actions by managers are considered and undertaken on the basis of protecting and enhancing client value.

The Fund can also escalate issues through LAPFF by supporting a shareholder resolution. As part of its engagement process, LAPFF has guidelines on escalation which are available on its website.

5. Be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional investors in order to maximise the influence that it can have on individual companies. The Fund has been a member of LAPFF since 2006 and intends to continue that relationship. LAPFF engages with companies over environmental, social and governance issues on behalf of its members. The advantage of collective engagement is that there is greater leverage over the company due to the pooling of holdings. This will increase the individual power and influence of investors in order to encourage change.

Where appropriate, the Fund's assets will be pooled within the Wales Pension Partnership (WPP). The eight partner funds are working together to reduce investment costs, increase investment capability and create a resource to access more asset classes. The partner funds will also collaborate on responsible investment activities through a unified policy.

6. Have a clear policy on voting and disclosure of voting activity.

Voting is carried out by the investment managers as detailed in the Fund's Investment Strategy Statement. The Fund requires its managers to exercise all votes attached to its UK equity holdings. Regular reports are received from investment managers on how votes have been cast.

The Pension Fund Committee has agreed to stock lend in line with the following principles ;

- Appropriate collateralisation and indemnification;
- A level of stock is held back to maintain ability to vote;
- The ability to call back stock to vote on specific issues.

The Fund employs Minerva Analytics to provide detailed monitoring analysis of voting activity. The activity of the investment managers are benchmarked against Minerva Analytics view of best practice.

7. Report periodically on their stewardship and voting activities.

Quarterly investment managers' reports on voting and corporate engagement are received by the Fund.

The Fund also receives quarterly LAPFF engagement reports, detailing its engagement with investee companies. These are reported to the Pension Committee on a quarterly basis.

The Fund annually reviews and updates its investment Strategy Statement, which sets out the Fund's approach to responsible investment and assesses compliance with governance best practice. The Fund periodically reviews its Responsible Investment policy.