

Pension Fund Committee

5 December 2019

Border to Coast Pensions Partnership Responsible Investment Policy



Report of John Hewitt, Corporate Director of Resources

Purpose of the Report

- 1 To provide the Committee with an update on the approach to Responsible Investment at Border to Coast Pension Partnership (BCPP).

Executive summary

- 2 BCPP's Responsible Investment Policy and Corporate Governance & Voting Guidelines were developed in 2017 in conjunction with all twelve Partner Funds and are due to be reviewed annually. The Committee has previously approved the Policies and is asked to approve the updated Policies which BCPP have reviewed with voting and engagement partner Robeco.

Recommendation(s)

- 3 It is recommended that the Committee notes and approves the Responsible Investment Policy and Corporate Governance & Voting Guidelines Policy included in Appendices 1 and 2 that BCPP will operate on behalf of the Pension Fund for assets transferred into the pool.

Background

- 4 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) require LGPS administering authorities to formulate and publish a statement of their investment strategy in accordance with guidance published by the Secretary of State. This must include details of how Environmental, Social and Governance (ESG) issues are incorporated into the investment decision-making process and a policy on investment stewardships - the exercise of rights (including voting rights) attaching to investments.
- 5 In March, the Committee approved the Fund's Investment Strategy Statement, published on the Council's website from 1 April 2019, which sets out the Fund's policy on ESG and stewardship (often referred to collectively as Responsible Investment or RI Policy).
- 6 Although the Pension Fund will still retain control over its own policy on responsible investment, as The Fund's assets are transferred to the pool responsibility for implementing this policy will move to BCPP. In the same way that the Fund currently relies on its fund managers to take into account any relevant ESG issues when acquiring, retaining or realising investments, and in exercising any investment rights (including voting), the Fund will rely on BCPP to implement its RI Policy in respect of pooled assets.
- 7 The Committee originally approved BCPP's Responsible Investment Policy back in 2017 and approved an update to the Policy last year. The 12 administering authorities in BCPP and their Pension Funds are again being asked to approve the updated RI Policy that BCPP will operate. BCPP's Responsible Investment Policy and its Corporate Governance and Voting Policy are included at appendices 1 and 2 – these documents were approved at BCPP's Joint Committee meeting on 20 November 2019.
- 8 The updated Policies have been reviewed by BCPP's voting and engagement partner Robeco using the International Corporate Governance Network Global Governance Principles, UK Stewardship Code and Principles for Responsible Investment as benchmarks. A summary of the key updates to the Policy are included in Appendix 3.
- 9 The approach BCPP will take in its RI Policy is consistent with the approach the Pension Fund has set out in its Investment Strategy Statement and requires its current fund managers to adopt. It is more detailed and includes, for example, a specific section on how the potential impact of climate change on investment risk will be taken into account.

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