Warwickshire Pension Fund
Responsible Investment Policy

May 2021

Objectives

The Committee recognise that the primary goal of the Fund is to be a long-term investor that aims to deliver a sustainable pension fund to its members. This goal should ensure that it is affordable and delivers financially to meet the objectives of the Fund employers.

The Committee recognise that responsible investment and Environmental, Social and Governance considerations ("ESG") pose a financially material risk as well as an opportunity to the Fund. These considerations are relevant when it comes to the manner in which the assets are invested and in exercising of stewardship responsibilities.

As part of the 2019 investment strategy review, the Committee agreed a set of responsible investment principles which have been added to the Committee's broader investment principles in the Fund's Investment Strategy Statement. These principles strengthened the Committee's position in regard to ESG factors and provide a framework for their engagement with their Fund managers and for investment decision making (these principles are detailed in full in the appendix).

The Committee considers the Fund's approach to responsible investment in two key areas:

1. **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance factors on its investments.

2. **Effective Stewardship** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

The Committee expect the Fund's investment managers including the Border to Coast Pensions Partnership ("BCPP") to embed ESG factors into their investment process and decision making, with a focus on long-term sustainable returns.

The Committee has reviewed BCPP's responsible investment policies in relation to its own views and has satisfied itself that the principles underlying both are similar. The Committee will regularly monitor BCPP's responsible investment policies and actively engage with the pool to facilitate change as required.

Integration

The Committee recognise that Responsible Investment ("RI") considerations can be integrated into all stages of the investment decision-making process and have the potential to significantly affect long term investment performance and the ability to achieve long-term sustainable returns.

The Fund's Investment managers will be expected to act as responsible and active owners through considered voting of shares, and engagement with company management when required. Engagement by its investment managers with investee companies on ESG issues to positively influence company behaviour and enhance shareholder value is strongly encouraged.

The Committee will consider opportunities arising from a greater understanding of RI factors when setting its investment structure. However, these opportunities will be assessed with regard to the risk/return requirements of the Fund.

The Fund will incorporate RI and ESG considerations into its selection process for new investment managers. Potential managers' approaches to responsible investment and the extent to which they incorporate ESG issues into their investment processes will be a factor in the Committee's decision making.

The Committee will undertake regular formal training sessions that will include focused responsible investment training. This training will be sought from the Committee's investment advisors, investment managers, the Border to Coast Pensions Partnership, external specialists and/or other engaged pension funds to provide exposure to a range of opinions and approaches to effective governance.

The Committee recognises that climate change represents a risk which warrants more detailed scrutiny given the wide range of impacts on financial, economic and demographic outcomes and thus has drafted a separate Climate Risk policy.

Engagement

The Committee recognise that they can influence the behaviour and practices of their investment managers with regard to stewardship through engagement, even where assets are invested through pooled funds such as those offered by Border to Coast Pensions Partnership. The Committee believe that all engagements should have a clearly defined objective.

The Fund aims to achieve engagement through regular meetings with investment managers, with managers expected to address RI matters as part of these meetings. Managers will be challenged on their approach where this is not aligned to the Fund's RI and Climate Risk policies.

The Committee believe that successful engagement with its investment managers is preferable to divestment. The Committee is supportive of collaboration to achieve better engagement, as evidenced by the Fund's membership of the Local Authority Pension Fund Forum ("LAPFF"), through which it collectively exercises a voice across a range of corporate governance issues. Where, over a considered period, there is no evidence of a company responding to engagement, divestment may be considered.

The Committee consider its investment managers to be best placed to engage with investee company management. This is due to the Fund being constrained in what decisions are available to them within pooled funds, as well as the resources and existing relationships with investee companies that are available to the Fund's investment managers.

However, the Committee acknowledges that it can work with other Local Government Pension Scheme Funds within Border to Coast to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Committee expects passive and active managers to actively engage with companies and be signatories to the Financial Regulatory Council's UK Stewardship Code.

The Committee believe that their investment managers should be able to demonstrate the reasoning behind any engagement activity, the objectives of the engagement activity, the approach taken to achieve the objectives, the timeframe over which the engagement is expected to take place and the consequences should engagement be unsuccessful.

Monitoring

The Fund expects its investment managers to incorporate RI issues into their regular reporting. This will include information on voting and engagement, as well as any actions they are taking in assessing and managing ESG-related risks in relation to their mandates.

The Fund expects investment managers to provide them with regular statements on their corporate governance and voting policy.

The Fund will continue to monitor its investment managers, including BCPP, commitments and policies in this area to ensure that their investment process aligns with the Fund's RI and Climate Risk polices.

The Fund's investment managers are expected to report on the objectives of engagement activities, along with the consequent success or failure of any actions taken on, at least, an annual basis.

The Committee expects its investment consultant to provide input and analysis to assist the Committee in assessing their managers' performance on engagement activities.

The Committee will monitor the investment managers compliance with the UK Stewardship Code.

Disclosure

The Fund will report on its Stewardship and Governance activities, including voting and engagement undertaken on behalf of the Fund.

Both this policy and the Fund's Climate Risk Policy will be reviewed and updated regularly.

The Fund is committed to being transparent and accountable in terms of its responsible investment performance. As such the Fund will publish its RI and Climate Risk Policies online.

Appendix
ESG investment principles

- As the Fund invests for the long-term, environmental, social and governance (“ESG”) factors are expected to have a bearing on the Fund’s expected levels of risk and return. The Fund’s investment managers are therefore to be expected to embed ESG factors into their investment process and decision making
- The Committee should focus on meeting its financial obligations to pay benefits to members.
- Long-term sustainable investment returns are an important consideration, even to the extent that the sustainability of returns extends beyond the expected investment horizon of the Committee.
- The Committee believes there will be opportunities for investments which support and benefit from the transition to a low carbon economy, and will seek out these opportunities for the Fund.
- The Committee believe that, in relation to ESG risks, ongoing engagement with investee companies is preferable to divestment. This engagement is via our managers or alongside other investors (e.g. LAPFF).
- Where, over a considered period, however, there is no evidence of a company making visible progress towards carbon reduction, we believe that divestment should be actively considered.
- The Fund’s Investment managers’ approaches to RI, including the integration of ESG into investment decision making and the use of engagement, must be assessed and monitored. This includes ongoing monitoring of the BCPP.
- Responsible ownership benefits long term asset owners. Asset owners, fund managers, and companies with clear responsible investment policies are expected to outperform companies without responsible investment policies, over the longer term.
- The Fund’s Investment managers should act as responsible and active owners through considered voting of shares, and engagement with company management when required. Engagement by its investment managers with investee companies on ESG issues to positively influence company behaviour and enhance shareholder value is strongly encouraged.
- Passive and active managers should actively engage with companies and comply with the Financial Reporting Council’s Stewardship Code.
- Climate change and the expected transition to a low carbon economy is a long-term financial risk to Fund outcomes and is considered to be part of our fiduciary duty.