

# Pension Fund Investment Sub-Committee

9 December 2024

## Responsible Investment Policy

### Recommendation

That the Pension Fund Investment Sub-Committee (PFISC) review and approve the Fund's Responsible Investment Policy attached at Appendix 1 of this report.

### 1. Executive Summary

- 1.1 The Fund has a forward plan that ensures that all its policies/strategies are regularly reviewed. This report presents the latest iteration of the Fund's Responsible Investment (RI) Policy.
- 1.2 The Committee recognises that the Fund is a long-term investor whose primary goal of making pension payments to its members as they fall means that it has to consider the risk posed by Environmental, Social and Governance (ESG) matters when investing.
- 1.3 The Fund's RI policy has two key components: ESG integration into how investment decisions are made and effective stewardship through proactive engagement with portfolio companies. As with its other investment related strategies, the Fund expects all its investments managers including Border to Coast Pensions Partnership (BCPP) to embed these components into their investment decision-making processes.
- 1.4 The Fund has all its equity holdings pooled or under the supervision of BCPP. While the Fund's RI is the primary reference for the Fund on the application of Fund's ESG principles and discharge of its stewardship duties, given the influence that BCPP has over the Fund's equity holdings, the Fund's RI policy is aligned to BCPP's.
- 1.5 The latest review of BCPP's RI policy has not led to any material changes to the policy. Further, there have not been significant changes in this area since the Fund's RI policy was last reviewed to warrant any changes at this time. The Fund's RI policy remains fit for purpose and therefore, no changes have been made to this iteration of the Fund's RI policy.
- 1.6 The Fund has reviewed the RI policies of its investment managers to ensure that they align with its own.

## **2. Border To Coast Pension Partnership Policies Review**

- 2.1 BCPP is in the process of obtaining Board approval following review and update of its Climate Change Policy, Corporate Governance and Voting Guidelines, and Responsible Investment Policy. A link to all three reports is [here](#).
- 2.2 The Committee approved the latest iteration of the Fund's Climate Risk Policy and the Voting Guidelines at its September 2024 meeting. These reviews undertaken by BCPP have resulted in limited changes to their equivalent policies. The two additions of note to both policies are that:
- BCPP will generally vote in favour of shareholder proposals that ask companies to mitigate deforestation risks, taking a 'comply or explain' approach, publicly disclosing our rationale if we vote against.
  - BCPP expect companies that have high exposure to deforestation risk commodities (palm oil, soy, beef, and timber, paper and pulp) to take action to address those risks within their operations and supply chains. For companies that have such exposure, but either do not have adequate policies and processes in place to reduce their impact or are involved in severe deforestation-linked controversies, we will oppose the re-election of the Chair of the Sustainability Committee (or most appropriate agenda item). Assessments of the quality of mitigating actions are based on external benchmarks such as the Forest500.
- 2.3 The Fund's equivalent policies sit above BCPP's. The changes made to BCPP's policy are not in conflict with the Fund's approved Climate Risk and Voting Guidelines policies, so any action taken on behalf of the Fund in line with the changes will be not contradict the Fund's approved policies. Therefore, no further changes are proposed to the Fund's approved policies currently.

## **3. Financial Implications**

- 3.1 ESG has been identified as a material financial risk to Fund's investment outcomes in the long term. Although, it is difficult to quantify the potential impact of ESG related issues, the Fund believes that taking a responsible investment approach will contribute positively to long-term investment outcomes and therefore being a responsible investor aligns with the Fund's primary purpose of providing pension benefits to its members.

## **4. Environmental Implications**

- 4.1 WPF understands that the Fund has a role to play in ensuring that its portfolio companies are responsible in the areas of ESG. The RI policy supports this stance and the belief that in the long-term investing in companies that have

sound ESG policies will help deliver the Fund's primary objective of paying pension benefits as they fall due.

## 5. Supporting Information

5.1 None

## 6. Timescales associated with the decision and next steps

6.1 None

## Appendices

Appendix 1 – WPF Responsible Investment Policy

## Background Papers

None

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The report was circulated to the following members prior to publication:  
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