

SCOTTISH BORDER COUNCIL PENSION FUND

ESG

14 September 2017

ESG - Background

- Recent Legal Fiduciary Opinion
- ESG – currently form part of Statement of Investment Principles (SIP)
- Business Plan identified requirement to update ESG policy

FIDUCIARY DUTY

- Meaning of Fiduciary Duty
- Why does it effect Pensions Committee?
- Who is the duty owed to?

FIDUCIARY CONSIDERATIONS

- Any policy should not specifically exclude the choice of investment purely based on non-financial considerations
- Pension Committee should seek to obtain the best return for the fund while acting prudently
- There should be no policy in place that would restrict choice of investments available to the LGPS.

Effect of Fiduciary duty on Committee

- Statutory Framework
 - IORP
 - Investment Regulations
 - Prudent Man Test

ESG

Environmental	Social	Governance
<ul style="list-style-type: none"> • climate change • greenhouse gas (GHG) emissions • resource depletion, including water • waste and pollution • deforestation 	<ul style="list-style-type: none"> • working conditions, including slavery and child labour • local communities, including indigenous communities • conflict • health and safety • employee relations and diversity 	<ul style="list-style-type: none"> • executive pay • bribery and corruption • political lobbying and donations • board diversity and structure • tax strategy

Current Position

Contained with section 6 of SIP

- Committee recognises its responsibility to exercise voting rights
- Voting rights delegated to Fund Managers
- Investment managers encouraged to constructively engage with companies
- Attention drawn to remuneration packages
- Encourage Fund Managers to sign the United Nations Principles of Responsible Investment stewardship code

ESG Monitoring

CURRENT POSITION

- Information provided by Fund Managers on Votes
- Information summarised within quarterly performance monitoring reports by Investment Advisor

QUESTION – Is this enough?

ESG – next steps

- Conformation from current managers of adoption of UNPRI
- Improve monitoring of voting undertaken
- Inclusion in Decisions in SIP