

## **1. STATEMENT OF RESPONSIBLE INVESTMENT**

- 1.1 Scottish Borders Council Pension Fund's (SBCPF) overriding obligation is to act in the best interests of the scheme beneficiaries. In this fiduciary role SBCPF believes that environmental, social and corporate governance (ESG) issues can affect the financial performance of investments. Accordingly, SBCPF believes that these factors should be taken into account when managing the Scheme's assets, subject to the overriding fiduciary duty to maximise the financial return on investments. SBCPF has developed this Statement of Responsible Investment to outline how such issues are incorporated into its investment practices.
- 1.2 As a means of demonstrating its commitment to responsible investment practices, SBCPF has encouraged its Fund Managers to adopt the United Nations Principles of Responsible Investment (UNPRI).
- 1.3 SBCPF also believes its obligations to scheme beneficiaries can be met by taking an approach to environment, social and governance issues which uphold the highest standards and which seek to ensure that the funds minimises any harm to the environment and society, whilst ensuring the Fund is best placed to meet its future liabilities.
- 1.4 The Fund wishes to see its environmental foot-print minimised, its social responsibilities maximised and the highest standards of employee's relations and corporate governance maintained.
- 1.5 The Fund requires its investment managers to adhere to these standards in all their investments activities and plans to monitor these standards are upheld for the following set of overarching principles.

## **2 OVERARCHING PRINCIPLES**

### **2.1 Environmental**

2.1.1 SBCPF will seek via its investment activities to minimise its impact on the environment. It will seek to ensure our investments minimise any impact on pollution or climate change at a global and local level.

2.1.2 Where investment activities do have an impact on the environment, SBCPF will encourage managers to work with Companies to ensure they are acting in a responsible and sustainable way and are fully committed to ESG principles.

### **2.2 Social responsibility**

2.2.1 SBCPF wishes to ensure that managers invest in companies who adhere to all applicable laws and standards. SBCPF wish to invest in companies who have good relations with the communities they are based in and wish to ensure that companies uphold principles of non-discrimination and fairness and avoidance of human risks violations.

2.2.2 Employee Relations – SBCPF through its fund managers we wish to ensure that none of investments use forced or child labour. That the highest safety standards are upheld for employees and where applicable employees are able to join trade unions and engage in collective bargaining.

## 2.3 Corporate Governance

2.3.1 SBCPF want to ensure that all our investments adhere to the highest standards of ethical conduct and the opportunities for bribery or corruptions or money laundering are minimised. The Fund wishes to ensure Executive Managers are remunerated and incentivise appropriately. The Fund will work through its fund managers to ensure that companies pay an appropriate share of their tax burden, in compliance with applicable law.

## 3 INVESTMENT DECISIONS

3.1 SBCPF delegates the selection of investments held to its fund managers and does not impose any investment restrictions in regard of social, ethical and environmental issues. SBCPF does not make any investment decisions specifically for social, ethical and environmental reasons.

3.2 SBCPF has instructed its active fund managers to take account of ESG considerations in their investment decision, provided the primary financial obligation is not compromised.

3.3 SBCPF will ensure that the fund managers it appoints are capable of appropriately considering ESG issues when making investment choices, it will monitor the managers' action in this area and will work with fund managers and the investment sector to ensure sufficient data is available to aid effective decision making.

3.4 SBCPF believes that, as a responsible investor, it has a legitimate interest in the management and corporate governance of the companies in which it invests and supports the use of voting as a means of expressing concern over environmental, social or governance (ESG) issues. The Fund seeks to improve corporate behaviour by maintaining effective shareholder oversight of the directors and company policies. Voting is undertaken on SBCPF's behalf by its fund managers. Fund managers are expected to use fully exercise its right to vote at company meetings.

3.5 All active fund managers are encouraged to engage, on SBCPF's behalf, with those companies where ESG policies fall short of acceptable standards and where this is likely to have a detrimental effect on the long-term value of the company.

## 4 ESG MONITORING

4.1 The Fund believes that signature and adherence to the UNPRI codes provides an appropriate basis for demonstrating that companies comply with these principles. The Fund will encourage its fund managers to monitor the performance of companies which they are investing on the Funds behalf to comply with these principles. The fund will require an annual statement from its fund manager demonstrating how its investments meet these principles. The Fund will ask its

managers to provide a statement to show how managers have considered ESG issues in their investment decisions and provide evidence to how they have engaged with Companies to promote ESG issues and flagging areas for improvement where required.

- 4.2 In order to do this the policy will develop a scoring mechanism to assess how well each individual portfolio has performed in this area. It will not be the purpose of the policy to influence individual management investment decision however it will encourage the correct behaviours to ESG issues and allow managers to demonstrate their compliance.
- 4.2 The fund expects its managers to vote at all times in the best interest of the fund and in compliance with its ESG principles. The Fund supports the principles set out in the UK Stewardship code and will publish a statement of adherence to this code annually. The Fund will require its fund managers to provide copies of their statements to the stewardship code and will monitor their compliance with its principles.