
STATEMENT OF RESPONSIBLE INVESTMENT POLICY

Report by Chief Financial Officer

JOINT PENSION FUND COMMITTEE AND PENSION FUND BOARD

30 November 2018

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to approve the Statement of Responsible Investment Policy for the Pension Fund.**
- 1.2 The Pension Fund as part of its fiduciary duties is required to ensure appropriate consideration is given to Environmental, Social and Governance (ESG) issues as part of its investment decisions, whilst acting in the best interest of the scheme beneficiaries.
- 1.3 The Committee and Board to ensure its fiduciary duties are met and in line with good practice, agreed to the development of a separate Statement of Responsible Investment. A draft of this was presented to the Committee and Board in September and Appendix 1 reflects the outcome of the discussion from the meeting.
- 1.4 The Policy sets out the overarching principles the Fund requires Manager to act within and sets out how the Fund will monitor the adherence to this policy.
- 1.5 The draft Statement has been available on the Scottish Borders Council Pension Fund website for members of the fund to review and comment on.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee approves the Statement of Responsible Investment as contained in Appendix 1.**

3 BACKGROUND

- 3.1 The Committee has an overriding fiduciary duty to maximise investment returns for the benefit of the Fund members. In doing so it is intended that the financial contributions required of Fund employers will be minimised.
- 3.2 Trustees of the Pension Fund also have a responsibility to ensure the Fund is undertaking its investment activities in a socially responsible way. This means the fund must be aware of its Environmental, Social and Governance (ESG) responsibilities.
- 3.3 Public interest in ESG has increased in recent years and there is a drive to increase the responsibilities placed upon Trustees for Environmental, Social and Governance issues. It is no longer acceptable for Trustees to do nothing on ESG.
- 3.4 Over the last year the Committee and Board have discussed ESG matters and agreed to review the ESG section of the Statement of Investment Principles. Upon review of good practice adopted by the Fund's Managers and other Pension Funds it has become clear that a separate Statement of Responsible Investment would fulfil the Fund's ESG responsibilities more appropriately. A draft Policy was discussed on 13th September and the comments and feedback from the discussion have been incorporated into the revised Policy.

4 STATEMENT OF RESPONSIBLE INVESTMENT

- 4.1 Appendix 1 contains the proposed Statement of Responsible Investment policy for the fund.
- 4.2 The Policy set outs the Fund's ESG obligations and details how it is proposed these obligations are met, in line with the funds fiduciary duties.
- 4.3 The Policy sets out the Funds overarching principles for each area as follows:
 - **Environmental** – to minimise environmental impact and encourage Companies to act in a responsible and sustainable way.
 - **Social responsibility** – to ensure Companies adhere to laws and standards, adhere to relevant regulations and ensure highest standards of employee standards are upheld
 - **Corporate Governance** – investments adhere to highest standards of ethical conduct.
- 4.4 Individual investment decisions are delegated to Fund Managers. Managers will be required to sign up to the UNPRI and Stewardship Code and to demonstrate consideration of these in their investment decisions.
- 4.5 Voting remains delegated to the Fund Managers on behalf of the Fund.

- 4.6 Monitoring will be carried out formally on an annual basis with a Responsible Investment report being presented to the Joint Committee and Board. This will be augmented informally by the Performance and Investment Sub Committee during their interaction with the Fund Managers.
- 4.7 To allow the annual monitoring to be undertaken each Manager will be required to complete an annual return which will allow Managers to be scored against the Funds ESG criterion.

5 IMPLICATIONS

5.1 Financial

There are no direct financial impacts relating this report.

5.2 Risk and Mitigations

The establishment of a Statement of Responsible Investment Policy and monitoring process will ensure the Fund meets its requirement under its fiduciary duties to ensure it has appropriate regards to ESG responsibilities.

5.3 Equalities

It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.

5.4 Acting Sustainably

This report approves a policy of responsible investment which will require Fund Managers and Companies the Fund is invested in to ensure the environmental impact of their operations are considered and encourage them to act in a sustainable way

5.5 Carbon Management

This report will have no direct impact on the carbon emissions of the Council. It will however encourage Managers and Companies invested in to ensure the environmental impact of their operations are considered and encourage them to act in a sustainable way.

5.6 Rural Proofing

It is anticipated there will be no adverse impact on the rural area from the proposals contained in this report.

5.7 Changes to Scheme of Administration or Scheme of Delegation

No changes are required as a result of this report.

6 CONSULTATION

- 6.1 The Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, the Service Director HR and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

6.2 The draft Policy has been available on the Pension Fund website for the month of November to allow consultation with Members and interested parties. Comments received have been taken into consideration for the final report.

Approved by

David Robertson
Chief Financial Officer

Signature

Author(s)

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Background Papers:

Previous Minute Reference: Pension Fund Committee, 13 September 2018

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Pensions & Investment Team can also give information on other language translations as well as providing additional copies.

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