
RESPONSIBLE INVESTMENT POLICY REVIEW

Report by Executive Director Finance & Regulatory Services

JOINT PENSION FUND COMMITTEE & PENSION BOARD

16 September 2021

1 PURPOSE AND SUMMARY

- 1.1 The purpose of this report is to approve the updated 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 fiduciary duties are met and in line with good practice, previously agreed the review and update of the Statement of Responsible Investment. A workshop was held on 23rd August with all members of the Committee and Board to discuss and agree the ESG beliefs.
- 1.4 The output of the workshop has been incorporated in the draft Responsible Investment Policy contained in Appendix 1
- 1.5 The draft Policy has been available on the Scottish Borders Council Pension Fund website for members of the fund to review and comment on.
- 1.6 The Stewardship Code and Task Force for Climate Related Financial Disclosure (TCFD) which the Fund will be required to adhere to both have extensive reporting and monitoring requirement. The Policy increases the level of monitoring to ensure these requirements can be fully met. The scoping and costing of this is currently being developed.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Pension Fund Committee approves:**
 - (a) the Statement of Responsible Investment as contained in Appendix 1; and,**
 - (b) the scoping and costing of the additional reporting requirements to be reported to future meetings.**

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 The Committee approved the first Responsible Investment Policy on 30 November 2018. The Business Plan approved on 10 June 2021 approved a review of the Policy to be undertaken.
- 3.4 The levels reporting and monitoring Pension Funds are required to undertake is increasing. The Stewardship Code and TCFD which the Fund will be required to adhere to, both have extensive monitoring and reporting requirements

4 RESPONSIBLE INVESTMENT POLICY UPDATE

- 4.1 A workshop was held on 23rd August for all members of the Pension Fund Committee and Board. The beliefs previously agreed were revisited and information was provided on the various frameworks and collaborative groups.
- 4.2 The Policy set outs the Funds ESG obligations and details how the Fund proposes to ensure its obligations are met, whilst meeting 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 be signatories of UNPRI or GRESB 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. Managers are encouraged to vote at all times in the best interests of the Fund and in compliance with its ESG principles.

- 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. The level and depth of reporting is required to ensure the Fund can adhere to its requirements under Stewardship and TCFD.
- 4.7 The formal monitoring will continue to be augmented informally by the Performance and Investment Sub Committee during their interaction with the Fund Managers.

5 IMPLICATIONS

5.1 Financial

The additional requirements, improvements and development for reporting and monitoring will require external assistance. The level and cost of this is currently fully known. Officers will identify and scope the work prior to undertaking a procurement exercise.

5.2 Risk and Mitigations

The 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 Integrated Impact Assessment

There is no impact or relevance to Equality Duty or the Fairer Scotland Duty for this report. This is a routine good governance required under the Local Government Pension Scheme (Governance) (Scotland) Regulations 2014. Nevertheless, a light touch assessment has been conducted and this will be published on SBC's Equality and Diversity Pages of the website as in doing so, signifies that equality, diversity and socio-economic factors have duly been considered when preparing this report.

5.4 Sustainable Development Goals

The recommendations of this report, per the Funds Responsible Investment Policy, will further strengthen the Funds commitment to sustainable investment.

5.5 Climate Change

The recommendations of this report, per the Funds Responsible Investment Policy, will further strengthen the Funds commitment to reducing climate change. Although no direct impact on climate change the policy continues the Funds commitment to 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 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration of Scheme of Delegation are required as a result of this report.

6 CONSULTATION

6.1 The Monitoring Officer/Chief Legal Officer, the Chief Officer Audit and Risk, the Director (People Performance & Change), the Clerk to the Council and Corporate Communications and any comments received will need to be incorporated into the final report.

Approved by

Name; David Robertson

Executive Director, Finance & Regulatory Services Signature

Author(s)

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Background Papers:

Previous Minute Reference: Pension Fund Committee and Pension Board 10 June 2021

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