Appendix 1

Responsible Investment Policy

1.1. The Pension Fund recognises environmental, social and corporate governance (ESG) factors as central themes in measuring the sustainability and impact of its investments. Failure to appropriately manage these factors is considered to be a key risk for the Pension Fund as this can have an adverse impact on the fund's overall investment performance, which ultimately affects the scheme members, employers and local council tax payers.

1.2. The United Nations has established 17 Sustainable Development Goals (SDGs) as a blueprint to achieving a better and more sustainable future for all. These goals aim to address the challenges of tackling climate change, supporting industry, innovation and infrastructure, and investing in companies that are focused on playing a key role in building that sustainable future.

1.3. Whilst it might not be practical for any organisation to achieve all the SDGs solely by itself, the Pension Fund, alongside its administering authority employer, has committed itself to achieving carbon neutrality by the year 2030. This commitment demonstrates the Pension Fund's intention to act as a responsible investor and will play a key role in the Pension Fund's asset allocation and investment manager selection processes.

1.4. The Pension Fund maintains a policy of engagement with all its stakeholders, including those operating in the investment industry. It is broadly recognised that, in the foreseeable future, the global economy will transition from its reliance on fossil fuels to the widespread adoption of renewables as the main source of energy. The impact of this transition on the sustainability of investment returns will be continually assessed.

1.5. The Pensions Sub-Committee is committed to playing an active role in the transition to a sustainable economic and societal environment. To that extent, the Pension Fund will continue to seek investments that match its pensions liability profile, whilst having a positive impact on society. Greater impact can be achieved through active ownership and lobbying for firms to change and utilise their resources sustainably.

1.6. It is important to note that the Pensions Sub-Committee has a fiduciary duty to act in the best interests of the LGPS members to ensure that their benefits are honoured in retirement. Such a responsibility extends also to making a positive contribution to the long-term sustainability of the global environment.

1.7. ESG integration into the Pension Fund's investment decision processes aims to mitigate the associated investment risks, whilst enhancing investment returns for the Pension Fund, thereby safeguarding members' futures.

Policy Implementation: Selection Process

1.8. The Pensions Sub-Committee delegates the individual investment selection decisions to its investment managers. To that extent, the Pension Fund maintains a policy of non-interference with the day-to-day decision-making processes of the investment managers. However, as part of its investment manager appointment process, the Pensions Sub-Committee assesses the investment managers' abilities to integrate ESG factors into their investment selection processes. This includes, but is not limited to:

a. evidence of the existence of a Responsible Investment policy;
b. evidence of ESG integration in the investment process;
c. evidence of sign-up to the relevant responsible investment frameworks such as the United Nations Principles for Responsible Investment (PRI);
d. commitment to addressing the challenges posed by climate change;
e. a track record of actively engaging with stakeholders to influence best practice;
f. an ability to appropriately disclose, measure and report on the overall impact of ESG decisions made.

1.9. As part of its investment selection process, the Pensions Sub-Committee will obtain proper advice from the fund's internal and external advisers with the requisite knowledge and skills. This will be supplemented by regular training.

1.10. Investment managers are expected to follow best practice and use their influence as major institutional investors and long-term stewards of capital to promote best practice in the companies/projects in which they invest. Investable companies will be expected to comply with all applicable laws and regulations in their respective markets as a minimum.

Policy Implementation: Ongoing Engagement

1.11. Whilst it is still quite difficult to quantify the impact of the less tangible non-financial factors on the economic performance of an organisation, this is an area that continues to see significant improvements. Several benchmarks and disclosure frameworks exist to measure the different aspects of available ESG data which includes carbon emissions, diversity on company boards and social impact. It is apparent that poor scoring on these ESG factors can have an adverse impact on an organisation's financial performance. It is therefore important for the appointed investment managers to effectively assess the impact such factors may have on the underlying investments.

1.12. The Pension Fund's officers will continue to engage with the investment managers on an ongoing basis to monitor overall investment performance, including ESG considerations. This can be implemented in several forms which include, but are not limited to:

a. regularly meetings with investment managers to assess investment performance and the progress made towards achieving ESG targets;

b. reviewing reports issued by investment managers and challenging performance where appropriate;

c. working with investment managers to establish appropriate ESG reporting and disclosures in line with the pension fund's objectives;

d. contributing to various working groups that seek to positively influence the reporting of industry standards on ESG metrics;

e. actively contributing to the efforts of engagement groups such as the Local Authority Pension Fund Forum (LAPFF), of which the fund is a member.

1.13. The Pension Fund's officers will work closely with the London Collective Investment Vehicle (LCIV) pool, through which the Pension Fund will increasingly invest, in developing and monitoring its internal frameworks and policies on all issues which could present a material financial risk to the long-term performance of the fund. This will include the LCIV's ESG frameworks and policies for investment analysis and decision making.

1.14. Pension Fund officers will report on the Pension Fund's investment performance, including an update on the ongoing ESG performance, to the Pensions Sub-Committee at least once every quarter. This will include a review into the fund's progress towards achieving its ESG targets.

1.15. In preparing and reviewing its Investment Strategy Statement, the Pension Fund will consult with interested stakeholders including, but not limited to:

a. Pension Fund employers;
b. Local Pension Board;
c. advisers/consultants to the fund;
d. investment managers

Policy Implementation: Training

1.16. The Pensions Sub-Committee and the fund's officers will receive regular training on responsible investment. A review of training requirements and needs will be carried out at least once on annually. Training is intended to cover the latest updates in legislation and regulations, as well as best practice with regards to ESG integration into the pension fund's investment process.