

# TEESSIDE PENSION FUND

Administered by Middlesbrough Council

AGENDA ITEM 10

## PENSION FUND COMMITTEE REPORT

17 JUNE 2020

STRATEGIC DIRECTOR: FINANCE, GOVERNANCE AND SUPPORT, JAMES BROMILEY

### RESPONSIBLE INVESTMENT POLICY

#### 1. PURPOSE OF THE REPORT

- 1.1 To ask Members to agree the Fund's Responsible Investment Policy set out at Appendix A.

#### 2. RECOMMENDATION

- 2.1 That Members comment on and agree to the Responsible Investment Policy set out at Appendix A.

#### 3. FINANCIAL IMPLICATIONS

- 3.1 There are no specific financial implication arising from this report, although it is widely acknowledged that environmental, social and governance issues covered in a responsible investment policy can have a material impact on the value of investments. Consequently, failing to take these into account can have a detrimental effect on returns.

#### 4. BACKGROUND

- 4.1 The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) require the Fund to have a policy on:
- Environmental, social and governance (ESG) considerations. The policy is required to take into account the selection, non-selection, retention and realisation of assets, and
  - The exercise of rights, including voting rights attached to investments.
- 4.2 The majority of the Fund's assets are currently invested in equities, with UK (and some overseas) equities being invested via the Border to Coast Pensions Partnership ('Border to Coast') and most of the Fund's overseas equities being invested via State Street Global Advisors ('SSGA').
- 4.3 The 20 January 2020 Pension Fund Committee noted and acknowledged Border to Coast's recently updated responsible investment policy. The overall Responsible Investment Policy for the Fund has been updated to take into account both Border to Coast and SSGA's approaches to responsible investment.

## 5 RESPONSIBLE INVESTMENT POLICY – KEY POINTS

5.1 Key points to note from the Fund’s Responsible Investment Policy are as follows:

- The policy emphasises that the key objective of the Fund is to ensure the assets are able to meet the liabilities when they fall due, and that the Fund has a long-term time horizon.
- Environmental, social and governance factors can have an impact on the financial value of investments, and as such these factors should be considered as part of the investment decision-making process.
- Similarly, investors should make use of the voting rights they get through being asset owners to attempt to positively influence the companies they invest in.
- Consequently the Fund will take an engagement (rather than divestment) approach to its investments.
- The Fund’s listed equities are invested by Border to Coast and SSGA and consequently the voting and engagement policies of Border to Coast and SSGA will be followed in respect of those investments.
- Where the Fund considers all the other assets classes it can invest in, such as private market investments or local investments, ESG factors are an important consideration as part of the investment decision-making process and the ongoing monitoring of any investment.
- Climate change risk is listed separately within the policy, acknowledging the significance of this risk and the importance of evaluating investments in the context of the short, medium and longer term risks and opportunities it may create.

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