

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	25 SEPTEMBER 2015	AGENDA ITEM NUMBER
TITLE:	ANNUAL RESPONSIBLE INVESTMENT REPORT	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – Responsible Investment Report: Policy and Activities 2014/15 Appendix 2 – Appendix to Responsible Investment Report: Monitoring Review of Shareholder Voting 2014 Appendix 3 – Statement of Compliance with Stewardship		

1 THE ISSUE

- 1.1 The Fund publishes a Responsible Investment (RI) Report annually to explain the Fund's RI activities including voting and compliance with the FRC Stewardship Code.
- 1.2 Inherent in the Fund's RI policy is that transparency and disclosure of its RI policy and activities is an important element of being a responsible investor.
- 1.3 The Responsible Investment report for 2014/15 is at Appendix 1 along with the 2014 annual report on Voting Activity from Manifest (Appendix 2). The report will be published on the Fund's website once it has been approved by the Committee.
- 1.4 Manifest will present their report at the Committee meeting.
- 1.5 The Statement of Compliance with the Stewardship Code is included as Appendix 3 for information only.

2 RECOMMENDATION

The Committee:

- 2.1 Approves the annual Responsible Investment Report for 2014/15

3 FINANCIAL IMPLICATIONS

3.1 The budget includes the costs of the proxy voting monitoring provided by Manifest.

4 RESPONSIBLE INVESTMENT REPORT

4.1 This is the third annual report on responsible investment prepared by the. The aim is to bring together all the aspects of the Fund's policies and activities that contribute to its responsible investing objectives. The RI policy was agreed in June 2012. The Fund updated its compliance statement with the Stewardship Code following amendments in 2012 and this was agreed by Committee in June 2013.

4.2 The report sets out the RI and Environmental Social and Governance (ESG) issues that have been taken into account and the key ways in which the Fund sought to manage these risks during the year were as follows:

- a) Embedded ESG criteria into the evaluation of the tenders for the Diversified Growth Fund mandate and Infrastructure mandate.
- b) Monitored whether our investment managers implemented RI policies or approach in line with their stated policy and the Fund sought to influence where appropriate:
 - Held managers to account and queried RI / ESG factors in investment process where appropriate
 - Reviewed whether engagement activity of managers was in line with their policies
 - Highlighted key voting resolutions to investment managers where the resolution related to long term strategic ESG risks (ie; BP and Shell shareholder resolutions on carbon management)
- c) Actively participated in the Local Authority Pension Fund Forum (LAPFF) recognising that their collaboration and engagement activities are important tools to manage RI risks. Officers and committee members attended four business meetings during the year.

4.3 The trends in voting by investors undertaken by Manifest suggests that there is a gradual improvement in governance standards. In 2014 governance concerns were lower than for previous years, although in the emerging and Far Eastern markets the standards are still below those of UK/European markets. The introduction of the vote on Remuneration Policy in the UK has had a significant impact on this year's analysis. Many investors are waiting to see if this influences corporate behaviour over the next few years. As a result, all but the most controversial policy proposals received respectable levels of support. By contrast, where opposition was expressed by shareholders, it was often at a very high level, suggesting a more targeted approach on the part of investors.

5 RISK MANAGEMENT

5.1 Responsible investing issues can have a material impact on investment risk and return in the long term. The Fund's Responsible Investment Policy seeks to ensure the long term RI risks to which the Fund is exposed are fully incorporated into strategic and operational (i.e. the investment manager's) decision making, and that the Fund carries out its duties as a responsible investor and shareholder.

6 EQUALITIES

6.1 For information only.

7 CONSULTATION

7.1 For information only.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 For Information only.

9 ADVICE SOUGHT

9.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director – Business Support) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	