

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE		
MEETING DATE:	21 JUNE 2013	AGENDA ITEM NUMBER	<b>10</b>
TITLE:	ANNUAL RESPONSIBLE INVESTMENT REPORT		
WARD:	ALL		
<b>AN OPEN PUBLIC ITEM</b>			
List of attachments to this report: Appendix 1 – Responsible Investment Report: Policy and Activities 2012/13 Appendix 2 – Appendix to Responsible Investment Report: Policy and Activities 2012/13			

### 1 THE ISSUE

- 1.1 The Fund's Responsible Investment (RI) Policy agreed in June 2012 proposed that a responsible investing report be published annually from 2013 to include the Fund's RI Policy, the Fund's compliance with the FRC Stewardship Code and the voting report.
- 1.2 The Fund recognises that transparency and disclosure of its Responsible Investing Policy and activities is an important element of being a responsible investor.
- 1.3 The report for 2012/13 is at Appendix 1. The report includes a revised Statement of Compliance with the FRC Stewardship Code which reflects minor changes made to the Code in 2012 and the annual report on Voting Activity from Manifest. 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.

### 2 RECOMMENDATION

#### The Committee:

- 2.1 Approves the Annual Responsible Investment Report for 2012/13 at Appendix 1
- 2.2 Approves the revised Statement of Compliance with FRC Stewardship Code at Section 3 of Appendix 1.

### **3 FINANCIAL IMPLICATIONS**

3.1 There are no direct financial considerations.

### **4 RESPONSIBLE INVESTMENT REPORT**

4.1 This is the first annual report on responsible investment prepared by the Fund. The aim is to bring together all the aspects of the Fund's policies and activities that deliver its responsible investing objectives.

4.2 During the year the Committee reviewed the investment strategy. The report sets out how RI issues were taken into consideration during this review, in particular when assessing the characteristics of the various asset classes and whether the Environmental, Social & Governance (ESG) risks could be managed. It also sets out the corporate governance issues the Investment Panel discussed with investment managers during the period. In addition, it includes the revised Statement of Compliance with the FRC Stewardship Code which explains how the Fund, as a shareholder, meets its responsibilities.

4.3 Key ways in which the Fund sought to manage RI/ESG risks during the year were as follows:

- a) Identified and strategically addressed RI/ESG risks by embedding analysis of the RI risks of asset classes in the review of the Fund's investment strategy
- b) Sought to ensure investment managers implemented RI/ESG aspects of their approach as per their stated policy
- c) Held managers to account and queried ESG / RI factors in investment process where appropriate and reviewed whether engagement activity of managers was in line with their policies
- d) Analysed voting behaviour and actively sought explanations of voting behaviour from managers to evidence preferences and seek to influence
- e) Increased participation in collaboration and engagement activities of Local Authority Pension Fund Forum (LAPFF)

### **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 - Finance) have had the opportunity to input to this report and have cleared it for publication.

<b>Contact person</b>	Matt Betts, Assistant Investments Manager, 01225 395420
<b>Background papers</b>	
<b>Please contact the report author if you need to access this report in an alternative format</b>	