

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	27 JUNE 2014	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 2013/14 Appendix 2 – Appendix to Responsible Investment Report: Policy and Activities 2013 – Monitoring report of Voting Activity Appendix 3 - Statement of Compliance with Stewardship Code 2013		

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 2013/14 is at Appendix 1 along with the 2013 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 2013/14

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 second 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 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 small 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, key ways in which the Fund sought to manage these risks during the year were as follows:
- a) Embedded ESG criteria into the evaluation and implementation of the new investment strategy for the new Diversified Growth Funds and Emerging Market Equity mandates and appointment decisions
 - 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:
 - The Fund followed through with issues identified last year by focussing on remuneration and board diversity
 - 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
 - The Fund wrote letters to its investment managers to:
 - i) Promote board diversity for the 2014 proxy season
 - ii) Questioned managers on the topic of remuneration voting policies and related engagement activity
 - c) Increased the Fund's participation in the Local Authority Pension Fund Forum (LAPFF) recognising that their collaboration and engagement activities are important tools to manage RI risks.

5 NATIONAL INITIATIVES

- 5.1 The national board representing the LGPS funds (the LGPS Shadow National Advisory Board) obtained Counsel's opinion on issues concerning the fiduciary duty of LGPS funds.
- 5.2 The opinion concluded that in managing an LGPS fund the administering authority has fiduciary duties both to the scheme employers and to the scheme members. However, the administering authority's power of investment must be exercised for investment purposes, and not for any wider purposes. So long as that remains true, the precise choice of investment may be influenced by wider social, ethical or

environmental considerations, so long as that does not risk material financial detriment to the fund.

5.3 The Counsel's opinion supports the Fund's Responsible Investing Policy.

6 RISK MANAGEMENT

6.1 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.

7 EQUALITIES

7.1 For information only.

8 CONSULTATION

8.1 For information only.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 For Information only.

10 ADVICE SOUGHT

10.1 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	