

APPENDIX 3 - The Investment Strategy Statement required by Regulation 7 must include:-

Requirements	Confirmation of Compliance
a) A requirement to invest money in a wide variety of investments	✓
b) The authority's assessment of the suitability of particular investments and types of investments	✓
c) The authority's approach to risk, including the ways in which risks are to be measured and managed	✓
d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services	✓
e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments	✓
f) The authority's policy on the exercise of rights	<p>✓</p> <p>Added the following wording to clarify Fund's position on recall of stock for voting purposes: "The Fund retains the right to recall stock that has been lent out under its securities lending programme to enable voting".</p>

More Specifically	Confirmation of Compliance
7 (2) (a) <ul style="list-style-type: none"> Must take proper advice 	✓
<ul style="list-style-type: none"> Must set out clearly the balance between different types of investments 	✓
<ul style="list-style-type: none"> Must identify the risks associated with their overall investment strategy 	✓

<ul style="list-style-type: none"> Must periodically review their policy to mitigate against any such risks 	✓
7 (2) (b)	
<ul style="list-style-type: none"> Must take proper advice 	✓
<ul style="list-style-type: none"> Should ensure that their policy on asset allocation is compatible with achieving their locally determined solvency target 	✓
<ul style="list-style-type: none"> Must periodically review the suitability of their investment portfolio to ensure that returns, risk and volatility are all appropriately managed and are consistent with their overall investment strategy 	<p>✓</p> <p>The ISS states that the Investment Strategy will be reviewed at least every 3 years or sooner where there is significant change in markets. There is ongoing quarterly and annual monitoring of the strategy which enables the Committee to take advice as to whether a review is needed at any time.</p>
7 (2) (c)	
<ul style="list-style-type: none"> Must take proper advice 	✓
<ul style="list-style-type: none"> Should clearly state their appetite for risk 	✓
<ul style="list-style-type: none"> Should be aware of the risks that may impact on their overall funding and investment strategies 	✓
<ul style="list-style-type: none"> Should take measures to counter those risks 	✓
<ul style="list-style-type: none"> Should periodically review the assumptions on which their investment strategy is based 	✓
<ul style="list-style-type: none"> Should formulate contingency plans to limit the impact of risks that might materialise 	✓
7 (2) (d)	
<ul style="list-style-type: none"> Confirm the pooling arrangements meet the criteria set out in the November 2015 investment reform and criteria guidance 	✓
<ul style="list-style-type: none"> Notify the Scheme Advisory Board and the Secretary of State of any changes which result in failure to meet the criteria 	✓

<ul style="list-style-type: none"> Set out the proportion of assets that will be invested through pooling 	<p style="text-align: center;">✓</p> <p>"It is envisaged that all of the Avon Pension Fund's assets will be invested through BPP Ltd."</p>
<ul style="list-style-type: none"> Set out the structure and governance arrangements of the pool and the mechanisms by which the authority can hold the pool to account 	<p style="text-align: center;">✓</p> <p>The ISS currently does explain the governance arrangements and makes reference to the role of the Oversight Board and Client Group. Further detail around governance structures and processes of the Pool will be provided as and when they have been finalised. As a shareholder in BPP Ltd. the administering authorities will have shareholder rights as determined by the company legal documentation.</p>
<ul style="list-style-type: none"> Set out the services that will be shared or jointly procured 	<p style="text-align: center;">✗</p> <p>As the ISS is kept under review it will be updated once this information is fully agreed by the pool.</p>
<ul style="list-style-type: none"> Provide a summary of assets that the authority has determined are not suitable for investing through the pool along with its rationale for doing so, and how this demonstrates value for money. 	<p style="text-align: center;">✓</p> <p>As above. "It is envisaged that all of the Avon Pension Fund's assets will be invested through BPP Ltd."</p>
<ul style="list-style-type: none"> Regularly review any assets, and no less than every 3 years, that the authority has previously determined should be held outside of the pool, ensuring this continues to demonstrate value for money 	<p style="text-align: center;">✓</p>
<ul style="list-style-type: none"> Submit an annual report on the progress of asset transfers to the Scheme Advisory Board 	<p style="text-align: center;">✓</p>
<p>7 (2) (e)</p> <ul style="list-style-type: none"> Must take proper advice 	<p style="text-align: center;">✓</p>

<ul style="list-style-type: none"> Should explain the extent to which the views of their local pension board and other interested parties who they consider may have an interest will be taken into account when making an investment decision based on non-financial factors 	<p style="text-align: center;">✓</p> <p>Compliant in that stakeholders are duly represented on Committee. The Fund publishes an RI policy, which considers non-financial factors in detail. Although the consultation period with LPB for the ISS was limited, future draft policy documentation will first be presented to Pension Committee, followed by a consultation period (timescale TBD) with the LPB before final publication in the public domain. The ISS will be presented annually (as was the SIP) to Committee to review. It will be updated following any substantial changes as required (as was the SIP).</p>
<ul style="list-style-type: none"> Must explain the extent to which non-financial factors will be taken into account in the selection, retention and realisation of investments 	<p style="text-align: center;">✓</p> <p>Non-financial factors in respect of investment decisions are detailed in the Fund's RI policy, which the ISS makes reference to throughout.</p>
<ul style="list-style-type: none"> Should not pursue policies that are contrary to UK foreign policy or UK defence policy 	<p style="text-align: center;">✓</p>
<ul style="list-style-type: none"> Should explain their approach to social investments 	<p style="text-align: center;">✓</p>
<p>7 (2) (f)</p> <ul style="list-style-type: none"> Must give reasons in their Investment Strategy Statement for not adopting a policy of exercising rights, including voting rights, attaching to investments 	<p style="text-align: center;">✓</p>

<ul style="list-style-type: none"> Should, where appropriate, explain their policy on stewardship with reference to the Stewardship Code 	✓
<ul style="list-style-type: none"> Should strongly encourage their fund managers, if any, to vote their company shares in line with their policy under Regulation 7(2)(f) 	<p>✓</p> <p>The Fund instructs its managers to vote on its behalf and in line with their own voting policies. The ISS specifically states “Voting is delegated to its investment managers; however, the Fund regularly monitors how its investment managers undertake voting and engagement activities in comparison to relevant codes of practice. Where practicable, the Fund will exercise its voting rights in all markets and its investment managers are required to vote at all company meetings”.</p>
<ul style="list-style-type: none"> May wish to appoint an independent proxy voting agent to exercise their proxy voting and monitor the voting activity of the managers, if any, and for reports on voting activity to be submitted annually to the administering authority 	<p>✓</p> <p>The Fund employs the services of a third party to produce reports that monitor and benchmark voting activity and report this annually to Committee.</p>
<ul style="list-style-type: none"> Should publish a report of voting activity as part of their pension fund annual report under Regulation 57 of the 2013 Regulations 	✓