Investment Strategy Statement

London Borough of Sutton Pension Fund

December 2020

Sutton

Investment Strategy Statement (Published December 2020)

Introduction and background
This is the Investment Strategy Statement ("ISS") of the London Borough of Sutton Pension Fund ("the Fund"), which is administered by Sutton Council, ("the Administering Authority"). The ISS is made in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations").

The ISS has been prepared by the Fund's Pension Committee ("the Committee") having taken advice from the Fund's investment adviser, Hymans Robertson LLP. The Committee acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Committee on 15 December 2020, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons as it considers appropriate.

The Committee seeks to invest in accordance with the ISS any Fund money that is not needed immediately to make payments from the Fund. The ISS should be read in conjunction with the Fund's Funding Strategy.

The suitability of particular investments and types of investments
The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

In order to meet this primary objective the Committee aims to:

- Maximise the returns from investments whilst keeping risk within acceptable levels
- Contribute towards achieving and maintaining a future funding level of 100%
- Enable employer contribution rates to be kept as stable as possible

The Committee has translated its objectives into a suitable strategic asset allocation benchmark for the Fund. This benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

It is intended that the Fund's investment strategy will be reviewed at least every three years following actuarial valuations of the Fund.

In addition, the Committee monitors its investment strategy on an ongoing basis, focusing on factors including, but not limited to:

- Suitability given the Fund's level of funding and liability profile
- The level of expected risk
- Outlook for asset returns

The Committee also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation. Actual against target allocation for each of the main asset classes is recorded within the quarterly performance monitoring report. Any planned rebalancing activity is reported and discussed at Committee.

Fund Investment Beliefs and Responsible Investment and Climate policy
The Investment beliefs of the Committee are set out in Appendix 1. The Committee have also developed an extensive set of beliefs and policies on responsible investment and climate risk which are set out in Appendix 2.

Investment in a Variety of investments

Asset classes
The Fund may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property, debt instruments, infrastructure and commodities either directly or through pooled funds. The Fund may also make use of contracts for differences and other derivatives either directly or in pooled funds investing in these products for the purpose of efficient portfolio management or to hedge specific risks.

The Committee reviews the nature of Fund investments on a regular basis, with particular reference to suitability and diversification. The Committee seeks and considers written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Committee is proposed, appropriate advice is sought and considered to ensure its suitability.

The Fund's target investment strategy is set out below as well as the current interim target as the Fund works towards the new target allocation over time. The table also includes the maximum percentage of total Fund value that it will invest in these asset classes. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Table 1: Fund allocation

Asset class	Interim target allocation %	Long term target allocation %	Maximum allocations %
Global Equities	50.0	50.0	60.0
Diversified Growth Funds	15.0	10.0	20.0
Property	10.0	10.0	15.0
Infrastructure	5.0	10.0	15.0
Multi-asset credit	9.0	9.0	12.5
Private debt	0	5.0	7.0
Corporate bonds	-	-	-
Index-linked gilts	11.0	6.0	15.0
Total	100	100.0	

As part of the 31 March 2019 actuarial valuation the Fund Actuary has assumed a discount rate and therefore required rate of return on the Fund assets of 4.7% p.a. This includes an allowance for prudence. The Committee believes that the current investment strategy will generate returns in excess of the required return while taking an appropriate degree of risk and tests the ability of the strategy to meet the Fund's objectives as part of the strategy review process.

Managers
The Committee has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles. The manager of the passive funds in which the Fund invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

The approach to risk, including the ways in which risks are to be measured and managed
The Committee is aware that the Fund has a need to take risk (e.g. investing in growth assets) to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below, we also discuss the Fund's approach to managing these risks and the contingency plans that are in place:

Funding risks

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.

- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Fund's liabilities.

The Committee measures and manages financial mismatch in two ways. As indicated above, the Committee has set a strategic asset allocation benchmark for the Fund. This benchmark was set taking into account asset liability modelling which focused on probability of success and level of downside risk. The Committee carried out a strategic review following the completion of the 2019 actuarial valuation and reviewed the probability of achieving the Fund's objectives and the level of risk being taken within the strategy. The Committee assesses risk relative to the strategic benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. The Committee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Committee also seeks to understand the assumptions used in any analysis and modelling so they can be compared to their own views and the level of risks associated with these assumptions to be assessed.

The Committee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

- Illiquidity - The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

- Currency risk – The risk that the currency of the Fund's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Environmental, social and governance ("ESG") – The risk that ESG related factors including climate risks reduce the Fund's ability to generate the long-term returns.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

The Committee measure and manage asset risks as follows:

The Fund's strategic asset allocation benchmark invests in a diversified range of asset classes. The Committee has put in place rebalancing arrangements to ensure the Fund's "actual allocation" does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Committee has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Committee also assesses the Fund's currency risk during their risk analysis. Currently the Fund will invest in liquid assets on an unhedged basis, but will aim to invest in illiquid assets on a hedged basis where possible.

The Committee has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager, using a range of approaches for equity investment and having a proportion of the Scheme's assets managed on a passive basis. The Committee assesses the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists.

Details of the Fund's approach to managing ESG risks is set out later in this document.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Committee seeks suitable professional advice.

- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Committee monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Committee has the power to replace a provider should serious concerns exist.

The approach to pooling investments, including the use of collective investment vehicles and shared services
The Fund is a participating scheme in the London Collective Investment Vehicle (CIV) Pool. The structure and basis on which the London CIV Pool operates is regularly reported to Government.

Assets to be invested in the Pool
The Fund's intention is to invest its assets through the London CIV Pool as and when suitable Pool investment solutions become available. They key criteria for assessment of Pool solutions will be as follows:

1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund

2 That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

At the time of preparing this statement the Fund has already invested the following assets via the London CIV Pool:

Asset class	Sub Fund (Manager)	% of Fund assets	Benchmark and performance objective
Global equities	Newton	17.0	Benchmark: MSCI All Countries World Index Performance objective: At least 1.5% above benchmark over rolling 3 year period (net of fees)
Diversified Growth Funds	Baillie Gifford	6.3	Benchmark: 3 month LIBOR + 3% Performance objective: 3% above benchmark over rolling 3 year period (gross of fees)
Diversified Growth Funds	Pyrford	5.9	Benchmark: 3 month LIBOR + 3% Performance Objective: 3% above benchmark over rolling 3 year period (gross of fees)

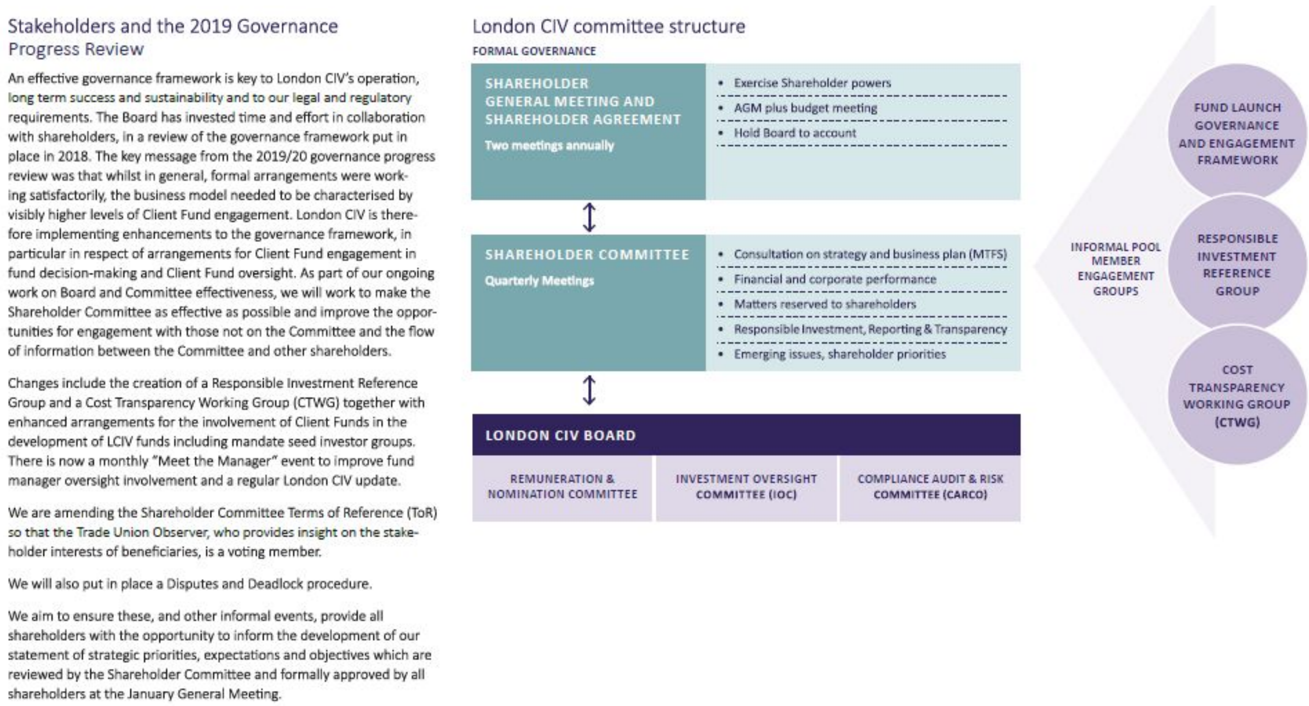
The fund holds **11.7% or £87.9m** of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

At the time of preparing this statement the Fund holds the following mandates outside of the London CIV. Opportunities for investing in these asset classes through the CIV will be reviewed as and when opportunities arise.

Asset class	Manager	% of Fund assets	Benchmark and performance objectives	Reason for not investing via the London CIV Pool
Global Equities	Harding Loevner	19.6	Benchmark: MSCI All Countries World NDR Index Performance objective: 3% above benchmark over rolling 3 year period (gross of fees)	No equivalent manager deemed available
Global Equities	Schroder	12.8	Benchmark: MSCI All Countries World NDR Index Performance objective: 3% above benchmark over rolling 3 year period (gross of fees)	In the process of being transitioned to a suitable LCIV option
Infrastructure	Partners Group	3.5		Already committed to investing with existing manager
Infrastructure – renewables	TBC			Engaging with LCIV investor group
Private debt	TBC			Engaging with LCIV investor group
Multi-asset credit	M&G (Alpha Opps Fund)	7.1	Benchmark: 3 Month LIBOR + 3% Performance objective: 3 Month LIBOR + 3 to 5 %	No equivalent LCIV manager available at present - to be kept under review
Bonds	M&G (Index Linked)	7.1	Benchmark: FTSE A British Government Over 5 Years Index-Linked Performance objective: 0.75% above benchmark over rolling 3 years period (gross of fees)	Being transitioned to passive alternative
Property	Blackrock	3.1	Benchmark: IPD UK All Pooled Property Funds Index Performance objective: To outperform the benchmark	No property managers on London CIV
Property	Aviva	1.5	Benchmark: IPD UK All Pooled Property Funds Index Performance objective: To outperform the benchmark	No property managers on London CIV
Property	Invesco	2.0	Performance objective: Unleveraged return of 8-9%	No property managers on London CIV

Structure and governance of the London CIV Pool

The current structure and governance framework of the London CIV is set out below:



Stakeholders and the 2019 Governance Progress Review

An effective governance framework is key to London CIV's operation, long term success and sustainability and to our legal and regulatory requirements. The Board has invested time and effort in collaboration with shareholders, in a review of the governance framework put in place in 2018. The key message from the 2019/20 governance progress review was that whilst in general, formal arrangements were working satisfactorily, the business model needed to be characterised by visibly higher levels of Client Fund engagement. London CIV is therefore implementing enhancements to the governance framework, in particular in respect of arrangements for Client Fund engagement in fund decision-making and Client Fund oversight. As part of our ongoing work on Board and Committee effectiveness, we will work to make the Shareholder Committee as effective as possible and improve the opportunities for engagement with those not on the Committee and the flow of information between the Committee and other shareholders.

Changes include the creation of a Responsible Investment Reference Group and a Cost Transparency Working Group (CTWG) together with enhanced arrangements for the involvement of Client Funds in the development of LCIV funds including mandate seed investor groups. There is now a monthly "Meet the Manager" event to improve fund manager oversight involvement and a regular London CIV update.

We are amending the Shareholder Committee Terms of Reference (ToR) so that the Trade Union Observer, who provides insight on the stakeholder interests of beneficiaries, is a voting member.

We will also put in place a Disputes and Deadlock procedure.

We aim to ensure these, and other informal events, provide all shareholders with the opportunity to inform the development of our statement of strategic priorities, expectations and objectives which are reviewed by the Shareholder Committee and formally approved by all shareholders at the January General Meeting.

Source: London CIV

How social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments

The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pensions Committee undertakes training on a regular basis and this will include training and information sessions on matters of social responsibility, environmental risk and corporate governance.

The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The Fund will invest on the basis of financial risk and return having considered a full range of factors contributing to the financial risk including social, environment and governance factors to the extent these directly or indirectly impact on financial risk and return.

The exercise of rights (including voting rights) attaching to investments

Voting rights

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and corporate responsibility in the underlying companies in which it invests. The Fund recognises that ultimately this protects the financial interests of the Fund and its beneficiaries. The Fund has a commitment to actively exercise the ownership rights attached to its investments, reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which they invest, recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society. Further detail on the Fund's Voting policy is set out in Appendix 2.

Stewardship

The Committee has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Committee expects both the London CIV Pool and any directly appointed fund managers to also comply with the Stewardship Code and this is monitored on an annual basis.

In addition to the Fund's compliance with the Stewardship Code, the Fund believes in collective engagement and is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues. Further detail on the Fund's Engagement and Stewardship policy is included in Appendix 2.

Prepared by:-

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For and on behalf of the London Borough of Sutton Pension Fund Committee

Appendix 1: Statement of Investment Beliefs

This document sets out the investment beliefs of the Pensions Committee (the “Committee”) of the London Borough of Sutton as administering authority to the London Borough of Sutton Pension Fund (the “Fund”).

Belief: Clear and well defined objectives are essential to achieve future success
The Committee is aware that there is a need to generate a sufficient level of return from the Fund’s assets, while at the same time having a clear understanding of the potential risks and ensuring there is sufficient liquidity available to pay members’ benefits as they fall due. The Committee have considered their own priorities and believe that setting clear objectives for the Fund is key in providing focus for the way the investment strategy is implemented.

Belief: Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection
The Committee understands that having the appropriate strategy in place is a key driver of the Fund’s future success. As a result, priority is given to more strategic investment matters.

Belief: Funding and investment strategy are linked
The Committee understands that a number of funding related aspects feed into investment strategy decisions, including maturity, sponsor covenant and level of required return. Given this, actuarial and investment matters, most notably setting investment strategy, are looked at in tandem by the Committee.

Belief: The Committee will take an appropriate level of investment risk
As a long term LGPS Fund the Committee acknowledges the need to take investment risk to ensure the affordability and sustainability of the Fund. However, the level of risk will be set which is aligned to the long term objectives, with a view to taking appropriate and not unnecessary levels of risk and managing funding level volatility.

Belief: Long term investing provides opportunities for enhancing returns
The Committee believes that investors with long term time horizons are typically less constrained by liquidity requirements and able to better withstand periods of price volatility. As a long term investor, the Fund may choose to gain additional compensation by investing in assets that are illiquid (e.g. property, infrastructure and private equity) or may be subject to higher levels of volatility (a premium return is required for any such investments). Having this long-term focus also helps the Fund tolerate periods of active manager underperformance when the manager’s investment style is out of favour with the market.

Belief: Equities are expected to generate superior long term returns
The Committee believes that, over the longer term, equities are expected to outperform other liquid assets, in particular government bonds. The Committee is therefore comfortable that the Fund maintains a significant allocation to equities in order to support the affordability of contributions.

Belief: Diversification can provide more stable investment returns and help manage volatility
The Committee believes that diversification across asset classes can help reduce the volatility of the Fund’s overall asset value and improve its risk-return characteristics. The Committee believes that investing across a range of asset classes (including, but not restricted to, equities, bonds, absolute return funds, infrastructure and property) will provide the Fund with diversification benefits.

Belief: Fees and costs matter
The Committee recognises that fees and costs reduce the Fund’s investment returns. The Committee considers the fees and costs of its investment arrangements to ensure the Fund is getting value for money and to minimise, as far as possible, any cost leakages from its investment process. The Committee will consider paying higher fees in areas where there is real value and manager skill which can help the Fund achieve better or more consistent net of fees returns.

Belief: Funding level movements will be reflected in both the levels of cash contributions and investment risk
Should the funding level of the Fund improve or fall away from current levels the Committee will consider both the approach to funding and investment risk and will not solely look to minimise/maximise contributions or investment risk but find a balanced approach to investment and funding requirements that is aligned to the long term objectives of the Fund.

Beliefs: Market inefficiencies will provide opportunities to add value over time
The Committee belief that at times relative market movements or dislocations will provide opportunities to generate additional returns for the Fund. However, the Committee does not believe that they are best placed to capitalise on these

opportunities. The Committee will therefore set mandates with the flexibility for managers to add value through allocation decisions where deemed appropriate. Alongside this the Committee will assess the position of the Fund against the long term strategic benchmark and any requirements to rebalance back toward the long term target.

Belief: Active management can add value but is not guaranteed
The Committee recognises that certain asset classes can only be accessed via active management. The Committee also recognises that active managers may be able to generate higher returns for the Fund (net of fees), or similar returns but at lower volatility, than equivalent passive exposure. The Committee will therefore use active management selectively and when doing so will aim to minimise excessive turnover in its active managers. By carefully selecting and monitoring active managers and recognising that periods of underperformance will arise, the Committee seeks to minimise the additional risk from active management, and continue to monitor active managers to ensure their mandates remain appropriate for the Fund.

Belief: Responsible Investment is important to the Committee and can have a material impact on the long term performance of its investments
The Committee recognises that Responsible Investment issues incorporating all forms of ESG issues can impact the Fund's returns and reputation. Given this, the Committee aims to be aware of, and monitor, financially material ESG-related risks and issues through the Fund's investment managers. The Committee commits to an ongoing review of its Responsible Investment policy to ensure it reflects latest industry developments and regulations and currently focuses on active engagement through working with managers and bodies such as the LAPFF.

Belief: There is a potential premium to be earned from illiquidity which the Fund can benefit from
The Committee believes that there are some more illiquid asset classes which the Fund can invest in where the Fund will benefit from the illiquid nature of the investments through attractive risk adjusted returns. The Committee will consider what is deemed an appropriate allocation to illiquid assets in the context of the changing net cashflow position of the Fund and will continue to monitor this over time.

Appendix 2: Responsible Investment Policy

Statement of Responsible Investment
The Committee acts as a responsible and active investor/owner through considered voting of share and ensuring that the Fund's managers engage with investee company management as part of the investment process.

The Committee considers the Fund's approach to responsible investment in two key areas:

1 Sustainable investment / ESG factors – considering the financial impact of environmental, social and governance (ESG) factors on its investments including climate risk.

2 Effective Stewardship – acting as responsible and active investors, through considered voting of shares, and engaging with investee company management as part of the investment process.

The following principles set out the Fund's approach:

- The Committee recognises that their duty is to act in the best financial interests of the Fund's beneficiaries. The Committee believes that environmental, social and corporate governance ("ESG") issues can have a material financial impact on the long-term performance of its investments and consideration of such factors is a part of their fiduciary duty.
- The Fund's investment managers including the London CIV are expected to take account of ESG factors as part of their investment analysis and decision-making process. Further, ESG issues will be an explicit factor in considering the appointment of any new investment manager, mandate and benchmark.
- The Fund's investment managers are expected to incorporate reporting on ESG factors into their regular reporting. This includes information on voting and engagement, in addition to details on how the investment managers are assessing and managing ESG factors in relation to their respective mandates. The Committee encourages their investment managers to develop their reporting and monitoring of ESG factors over time.
- The Committee also encourages engagement by their investment managers with investee companies on ESG factors to positively influence company behaviour and enhance the value of the holdings.
- The Committee believes that they will have greater influence on the future direction of companies if they remain invested. Overall engagement activities are viewed by the Committee as a key element of the broader approach to responsible investing. Remaining invested provides the Fund with a voice on how companies are generating their revenues and how they will change in the future. The Committee view divestment as being the last resort.
- The Committee intends to make use of collaboration with other funds to pursue their engagement policy. To help with this, the Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"), one of the UK's leading collaborative shareholder engagement groups.
- The Committee is also seeking greater transparency of the ESG relative risks associated with their underlying investments.
- The Committee may consider portfolio 'tilts' in line with ESG or responsible investment objectives. However, these will only be applied where the Committee believes the tilt will protect or enhance financial value.
- The Committee wishes to take a proactive approach to Responsible Investment and Climate Change risk factors, which will be reflected in the implementation of the Fund's investment strategy.
- The Committee believes that companies that consider sustainability issues and engage proactively with the transition to a low carbon economy will be more successful in the longer run.

The Committee also has a number of ESG related beliefs which are integrated into the Fund's overall belief statement.

Voting Policy
The Committee and the Officers work closely with the Fund's investment managers to support good corporate behaviour. Having a voting policy enables the Committee to document their position and expectations for their fund managers and to hold our manager accountable for the decisions they make.

The managers are required to exercise their voting rights on behalf of the Fund when it is in the best interests of the Fund. Voting will be in accordance with the Managers' corporate governance policies. The Committee may engage with managers in order to discuss them voting according to the Committee's wishes on a particular resolution; however there may be limitations as to how this would work in practice given the use of pooled investments.

The Committee reviews their managers' voting guidelines on a regular basis to determine their appropriateness for the Fund.

All managers are expected to report their voting records on a quarterly basis. The Committee is committed to disclosing voting records to the Fund's membership on an annual basis through the Fund's website.

In making any future manager appointments, the Committee will assess the managers' voting policy as part of the due diligence process and will instruct the appointed manager accordingly. The Committee will also liaise closely with the London CIV on their voting policy and delegations to managers where relevant.

Engagement policy
The Committee recognises that successful engagement can protect and enhance the long-term value of the Fund's investments (this is not limited to equities). The following key principles underpin the Committee's engagement policy:

1 The Committee believes that engagement is a positive activity and encourages the Fund's investment managers to engage where they believe that value can be added or risk can be reduced.

2 The Committee believes that all engagements should have a well-defined objective. The Fund's investment managers are expected to report on the objectives of any engagement activity, along with the consequent success or failure of any actions taken on, at least, an annual basis.

3 The Committee will particularly support engagement activity that seeks to achieve:

   1- Greater disclosure of information on the ESG related risks that could affect the value of an investment;

   2- Transparency of an investments' carbon exposure and how such companies are preparing for the transition to a low carbon economy.

4 The Committee will publish a summary of engagement activity undertaken by their managers on an annual basis. The Committee will also publish other collaborative activity carried out over the year e.g. as part of the membership with LAPFF.

5 The Committee will encourage their investment managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the fund.

6 The Committees' investment consultant is required to provide input and analysis to assist the Committee in assessing the Fund's investment managers' performance from an ESG engagement perspective.

7 The Committee liaise closely with the London CIV to ensure that they also adopt approaches consistent with the Fund's policy.

Climate change actions
The Committee is committed to considering the following actions in relation to climate change risk:

- undertaking analysis to understand the carbon risk exposure of its listed equity positions versus the global market, including carbon emissions, carbon intensity, exposure to extractive industries and exposure to the energy transition
- regularly reviewing the carbon risk exposure of its investments, as part of its investment strategy process
- engaging with other investors and policy makers through industry initiatives on climate change

- investigating the merits of joining an institutional investor collective action group on climate change
- engaging with the Fund's managers and the London CIV on their approach to RI issues including climate change
- reviewing the engagement records of the Fund's managers on climate change and asking them to provide evidence of this engagement with the companies in which they invest
- challenging active managers on the investment rationale for their holdings in higher carbon risk companies and industries
- reviewing the benchmark for passive mandates to "tilt" the benchmark towards sustainable investments and lower carbon risk companies
- considering investment strategies which explicitly support sustainable investment and positive action on climate change, such as investment in renewable energy infrastructure