



# ROYAL BOROUGH OF GREENWICH PENSION FUND

Stewardship Report 2023



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## Introduction

Welcome to the annual Stewardship Report of the Royal Borough of Greenwich 2023.

This report has been written in line with The Financial Reporting Council's (FRC) UK Stewardship Code 2020, which comprises of a set of 12 'apply and explain' principles through which asset owners and their counterparts can demonstrate their approach to stewardship. Mirroring the FRC, we define stewardship as the "responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

The Royal Borough of Greenwich Pension Fund believes that effective stewardship is not a 'tick box' exercise. Active stewardship is fundamental for us to fulfil our purpose of providing pension benefits for our members and their dependents, alongside delivering value for money for the Royal Borough of Greenwich and other employers within the Fund.

This report sets out how our purpose, values and investment beliefs influence our stewardship approach to support the needs of our members and other stakeholders.

Responsible investment, in particular climate risk, continues to dominate the Local Government Pension Scheme (LGPS) and broader investment landscape with environmental, social and governance (ESG) issues at the forefront of much of the work we have undertaken this year. As asset owners we see stewardship as a key factor in exploring the risks and opportunities posed by ESG related issues.

This report provides details of our stewardship activities in 2023 and their outcomes. It aims to reflect upon areas of achievement and assess where further improvements are needed. We will continue to report on our stewardship activities moving forward and we welcome feedback on our work undertaken thus far.

# Foreword from the Chair of the Pension Investment and Administration Panel

Welcome to the Annual Stewardship Report of the Royal Borough of Greenwich Pension Fund, we hope this report is a useful exposition of our responsible investment activities.

The Fund has long been an advocate of investing sustainably and the importance of active stewardship.

As a long-term investor we wish to deliver a sustainable pension fund for all stakeholders. It is therefore in the best long-term interest of our members and employers and, as such, part of our fiduciary duty to take ESG issues seriously and consistently into consideration as well as integrate them into all investment decisions.

In 2022, we made a commitment for the Fund to be carbon neutral and achieve a net zero target date of 2040 alongside a commitment to explore options for reaching this target more quickly. This ambition is not just about reducing the emissions from the portfolio, it's also about real world changes and investing in green impact investment.

We are proud of the outcomes and effective actions we have undertaken and expect our approach to continue to evolve as we continue to engage in collaboration with strategic partners such as the London CIV, Local Authority Pension Fund Forum and fund investment managers to drive change and help the Fund achieve its policies and ambitions that are set out in this statement.

The statement is organised according to the 12 principles of the UK stewardship Code. The report provides an overview of our stewardship and responsible investment activities during 2023 and the action we took. We believe that this statement demonstrates the rigorous responsible investing standards we have set ourselves and we will continue to adopt best practices, so leading to sustainable benefits for the economy, the environment and society.

Finally, I would like to take this opportunity to thank my colleagues on the Panel, Local Pension Board and our officers for ensuring that the Fund continues to be managed effectively and that our Fund members continue to receive an excellent service.



Cllr Olu Babatola

A handwritten signature in black ink, appearing to read 'Olu Babatola', written over a horizontal line.

Chair of the Royal Borough of Greenwich Pension Fund Investment and Administration Panel

# Purpose and Governance

ROYAL BOROUGH OF GREENWICH  
PENSION FUND STEWARSHIP REPORT



# Principle 1

Purpose, strategy, and culture – signatories' purpose, investment beliefs, strategy and culture which creates long term benefits leading to sustainable benefits for the economy, the environment and society.

## Context

### The Royal Borough of Greenwich Pension Fund

The Royal Borough of Greenwich Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS). The LGPS is governed by the Public Services Pension Act 2013 and is one of the largest pension schemes in the UK. It is run for local government employees and people working for other employers who are able to participate in the scheme. It is a defined benefit scheme, designed to provide retirement benefits for its members. Scheme regulations are approved nationally by Parliament however the LGPS is administered locally by 86 local pension funds across England and Wales.

The LGPS is a funded pension scheme which means that contributions into the Fund are made by employers and employees which are then used to make investments upon which a return is anticipated.

The Royal Borough of Greenwich Pension Fund is an administering authority for the LGPS and as at 31 December 2023 comprised of:

- 68 active employers
- 26,911 members, of which 8,632 were actively contributing into the Fund, 8,448 were drawing benefits and the remainder had rights to deferred benefits.
- Net assets worth £1.65bn

The Royal Borough of Greenwich is the Administering Authority for the Pension Fund. The Authority has delegated to the Pension Fund Investment and Administration Panel (the 'Panel') various powers and duties in respect of its administration of the Fund. The Panel is the formal decision-making body of the Fund.

In 2015 The Local Pension Board (the 'Board') was established in accordance with Section 5 of the Public Service Pensions Act and under regulation

106 of the Local Government Pension Scheme Regulations 2013 (as amended). The purpose of the Board is to assist the administering authority of the Fund (the Royal Borough of Greenwich) in its role as scheme manager. The Board enhances scrutiny and governance within the Fund, helping to ensure that it complies with legislation and the law relating to pensions.

Day to day running of the Fund in respect of administering the membership through collecting contributions, paying benefits / pensions and maintaining all necessary records, is undertaken by the Director of Finance. This is further delegated to the Business Change Accountancy (Treasury and Pensions) and Pension Administration Teams.

Further detail regarding the Funds governance structure, resources and incentives can be found under Principle 2 within this report.

## Our Purpose

The purpose of the Fund is to provide an efficient and effective pension scheme to deliver retirement benefits to members when they fall due. The fundamental functions of the Fund are:

- To provide retirement benefits (pensions, lump sums, and other benefits) to Scheme members when they fall due.
- To enable primary contribution rates to be kept as nearly constant as possible and at reasonable cost to all relevant parties (such as the taxpayers, scheduled and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency.
- To seek investment returns which should be assessed considering the risk profile of the Fund and employers.
- To safeguard the assets of the Fund by ensuring strong corporate stewardship and oversight

Furthermore, the purpose of the Fund is to ensure that our members can access clear and accurate information to plan for their retirement. The Fund is accountable to its members, employers, and other stake holders and therefore has a duty to ensure that there is effective governance and oversight of its activities.

## Values and Culture

The Pension Fund has a fiduciary duty to its members which remains its priority, and it must be made clear that the Pension Fund is a separate entity to the Royal Borough of Greenwich (RBG). However, as RBG is the largest employer within the Fund and the employers within the Fund are based within the Borough, the Fund works to ensure that it is aligned to some of the key missions set out in Royal Greenwich's Corporate Plan, namely:

Greenwich plays an active role in tackling the climate crisis and improving environmental sustainability, in line with our commitment of being carbon neutral by 2030

The Fund operates to include environmental, social and governance (ESG) factors within its day-to-day operation. The landscape within which Local Government Pension Funds operate is now evolving with there being increasing emphasis on the importance of monitoring and engaging on ESG matters to explore the risks and opportunities presented by climate change. However, the Fund has developed its own Net Zero Roadmap with a pledge to be carbon neutral by 2040 (with the commitment to explore options to meet this target sooner).

Our Council is an adaptive organisation, enabling it to navigate the increasing number of challenges it faces while remaining financially sustainable.

The Fund's key purpose is to ensure that it delivers retirement benefits to its members.

The Fund has a responsibility to ensure that it provides value for money to its members, employers and to RBG as an employer.

Our Council works in the most efficient and effective ways possible

A key value held by the Fund is that it is run well for its members, employers and other relevant parties. Oversight and governance of the Fund is a key part of its function to ensure that it runs effectively.

Each of these key values feed into creating long term value for our beneficiaries and sustainable benefits for the economy, the environment and society.

Active stewardship is an integral part of the Funds culture. The Fund works to ensure that it is clear and concise in its communications and that it is run with integrity and transparency. Strong stewardship feeds into every aspect of the Fund from the day-to-day reconciliation work undertaken by officers to the delivery of key policies and statements, through to its investment beliefs and decisions.

## Our Strategy

The world of the LGPS is ever evolving and therefore the Funds strategy is to work in a proactive and not reactive manner. This strategy, to ensure that we deliver on our values, includes:

- Ensuring that new areas of work are undertaken with due diligence so that those charged with governance have the right information – taking adequate time to research where necessary.

- Having a key focus on training, ensuring that it is timely, appropriate, and continual so that officers, Panel and Board members have the requisite knowledge and skills to undertake their roles.
- Keeping our responsibility to our stakeholders is at the heart of what we do, providing transparent and concise information in our communications and reporting is at the forefront of our investment decisions.
- Using collaboration with other counterparties as a tool for objectivity and development, applying the viewpoint that we can learn from others.
- Engaging with relevant companies, investment managers and other counterparties to use our position as owners of capital to drive change.
- Reviewing our portfolio and activities in line with environmental, social and governance issues to identify areas of risk and opportunity.



## Investment Beliefs

The Royal Borough of Greenwich Pension Fund is committed to managing investments efficiently and effectively. Its key investment beliefs are:

Investment Belief	Importance
<p>A strategic asset allocation which is regularly reviewed is key.</p>	<p>A suitable strategic asset allocation benchmark ensures a balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk alongside the nature of the Funds liabilities.</p>
<p>Managing the performance of the investment managers is key to driving the delivery of returns they have agreed to make.</p>	<p>Monitoring performance not only ensures that the Fund is able to fulfil its fiduciary duty to members, it also guarantees that the Fund is working within its key values – to provide a well-run fund and economic prosperity for all.</p>
<p>Negotiating fair fees with managers to ensure we are not paying excessive fees.</p>	<p>The Fund must ensure that it is run cost efficiently and that it achieves value for money while also exploring if paying higher fees will unlock opportunities with regards to higher performance.</p>
<p>Reviewing our investment structure and objectives in light of economic changes using asset/liability study tools.</p>	<p>It is vital that the Fund actively monitors its portfolio in an ever-evolving economic landscape.</p>
<p>Choosing investments wisely and mitigating poor performing activities in real time.</p>	<p>Choosing investments wisely and actively monitoring performance ensure that funding objectives are met to maintain employer rates and meet liabilities.</p>
<p>Training our Panel members and officers to ensure effective due diligence and focused and sound stewardship.</p>	<p>The Royal Borough of Greenwich recognises that effective management, governance, and decision making can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.</p>
<p>Exploring opportunities for new ways of administering the Fund that deliver lower costs and improve returns.</p>	<p>The Fund has a responsibility to ensure that it provides value for money to its members, employers and to RBG as an employer alongside ensuring that it generates returns in order to meet its liabilities when they fall due. The Fund engages with its Pool partner (London CIV) to review alternative managers that can deliver the existing strategy, but at a lower fee.</p>

Investment Belief	Importance
<p>A robust Responsible Investment (RI) Policy is key to understand and manage Environmental, Social and Governance (ESG) issues which can impact the Fund.</p>	<p>ESG issues can have a material impact on the long-term risks and returns from Fund investments. A robust RI policy helps to ensure that ESG risks and opportunities are recognised, understood, and acted upon.</p>
<p>A rebalancing framework is important.</p>	<p>A rebalancing policy ensures:</p> <ul style="list-style-type: none"> <li>• The desired strategic risk/expected return across assets is maintained.</li> <li>• The desired allocation between various managers is maintained</li> <li>• Locks in some of the gains when a particular asset class/manager outperforms</li> <li>• Buys into 'cheap' asset classes/managers when they underperform.</li> </ul>
<p>Diversification is key.</p>	<p>The Panel reviews the nature of Fund investments on a regular basis with reference to suitability, risk and diversification.</p>
<p>Engagement with managers and other stakeholders is key to drive change.</p>	<p>The Fund recognises the importance of its role as stewards of capital. The Fund has a commitment to actively exercise its ownership rights and engage with managers and the underlying companies it invests in to promote corporate responsibility and ultimately protect the financial interest of the Fund and its members.</p>
<p>The economy of scale through pooling where appropriate, can generate reduced costs, improved investment opportunities and enhance responsible Investment</p>	<p>The Pension Fund is a Member of the London Collective Investment Vehicle (LCIV)- through collective investment with other London LGPS Funds, it hopes the combined buying power will reduce costs, improve investment returns and widen the range of available asset classes for investment – all for the benefit the Fund members</p>

Further details regarding the Fund's Investment Strategy can be found within its Investment Strategy Statement (ISS) on the Royal Greenwich website [royalgreenwich.gov.uk](http://royalgreenwich.gov.uk). The ISS is produced in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which require administering authorities to prepare, publish and when appropriate, revise a written statement recording the investment policy of the pension fund.

## Activity

The Funds approach to stewardship and the activities undertaken by those charged with governance are directly influenced by the Funds values and investment beliefs and supported by the governance structure in place.

Each fiscal year the Fund holds a strategic 'away day'. This day is an opportunity for Panel and Board members and officers to receive training, have round table discussions on key issues and reflect on current and future priorities for the Fund. The event is attended by the Funds investment advisors (Hymans Robertson) and actuary (Barnett

Waddingham) alongside other key counterparties pertaining to the particular focus of each event. The next strategic 'away day' is set to take place in February 2024 and will focus on natural capital, the Taskforce for Nature Related Financial Disclosures (TNFD)<sup>1</sup>, next steps in relation to the Governments consultation on investments and pooling, alongside a presentation from the Local Authority Pension Fund Forum (LAPFF)<sup>2</sup> on their engagement work. The Funds commitment to holding this annual event reflects the Funds core values and investment beliefs namely, stewardship being an active process, making sure that those charged with governance have the right information, taking time to research and discuss key topics in depth and using collaboration with other counterparties to broaden our views and understanding.

The Fund has been on its ESG journey since 2018 (further details of the Funds ESG journey can be found under Principle 7). This year, the Fund has continued its focus on pushing forward from the initial groundwork made in relation to its environmental, social and governance (ESG) reporting, with a focus on continuing to understand

the ever-evolving landscape of ESG risks and opportunities. Some of the key work undertaken in this area this year includes:

- The inclusion of a presentation from a Fund investment manager on its ESG activities at each Local Pension Board meeting. This allows Board members to ask questions of the Funds investment managers in relation to their stewardship and engagement activities and to also gain an understanding of the different forms this can take in relation to different asset types.
- The creation of a Climate Change section included within the Funds 2022/23 annual report which reports on the Funds ESG activities aligning to the four pillars of the Taskforce for Climate Related Financial Disclosures (TCFD)<sup>3</sup>, these being Governance, Strategy, Risk Management and Metrics and Targets. The inclusion of this section not only means that the Fund is actively working towards reporting in line with TCFD but also supports the Funds values by ensuring that our communication to our members is clear and concise.

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<sup>1</sup> The Taskforce on Nature Related Financial Disclosures is a global initiative providing disclosure recommendations for organisations and finance to assess and report on their nature-related dependencies, impacts and risks and opportunities.

<sup>2</sup> The LAPFF is a member-led forum which aims to promote high standards of corporate governance through company engagement. At the time of writing forum membership comprised of 87 LGPS funds and seven pooled companies with aggregated assets under management of over £350 billion.

<sup>3</sup> The TCFD is an international body founded with the support of G20 members. In 2017 the TCFD produced a framework for the financial sector to improve and report on climate-related financial information. The disclosures focus on four key areas - governance, strategy, risk management and metrics & targets. It is expected that LGPS Funds will be required to produce their first annual TCFD reports by December 2024.

- In 2022, the Fund, in collaboration with the LCIVs Climate Analytics Service, provided an initial set of carbon footprint data for the Fund. In July 2023 a second report in collaboration with the LCIV was presented to the Panel. This new set of data provided the Panel with a comparator of the carbon intensity of the Fund from 31 March 2022 to 31 March 2023 and showed a reduction in the carbon intensity of the Fund. Further detail on this can be found under Principle 7.
- Following on from the initial carbon footprint paper presented to Panel in July 2022, which highlighted passive equity as the largest carbon contributor to the Fund, in February this year, the Panel agreed to move £218.1m<sup>4</sup> of global equities into a low carbon index tracking global equity fund. Given listed equities represented approaching 50% of the Fund's total assets, reducing the carbon emissions associated with these investments would help the Fund make material progress towards its net zero targets. This commitment also follows on from previous commitments to renewable infrastructure and private debt. These commitments reflect the Funds investment beliefs with regards to reviewing asset allocations regularly, diversification and capitalising on ESG opportunities.

This work undertaken in relation to the Funds ESG objectives supports the Funds strategy of reviewing our portfolio and activities in line with environmental, social and governance issues to identify areas of risk and opportunity.

This year the Fund has also continued to ensure that it actively reviews its funding. In March 2023 the Panel received the results of the Funds latest Triennial Valuation and agreed the Funds Funding Strategy Statement. The Panel then received a Funding Level Update in September 2023 to ensure that it continues to monitor the key risks and opportunities relating to the solvency of the Fund. This stewardship work to ensure that the Fund has requisite assets to meet liabilities reflects the fundamental functions of the Fund, working in the best interest of its members.

During the year the Fund completed a review of its training processes in line with the CIPFA Knowledge and Skills Framework. As part of this review officers undertook an analysis of the training undertaken by Board and Panel members and officers, creating an improved system for logging, and monitoring training. Officers researched various additional resources for training and ascertained a free trial of an online training platform called Enlighten provided by the Funds Actuary, Barnett Waddingham. The platform

provides access to short training videos on several topics and provides a facility to log the progress of participants. As part of the trial the Fund will be actively involved in providing feedback to help shape the platform further. During the year officers, Board and Panel members also attended the following training/conferences on subjects which actively feed into the stewardship activities of the Fund:

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<sup>4</sup> The actual amount moved at the point of transition was £237.5m

Date	Training/Seminar	Detail	Attended by
January 2023	Gresham House Training on Forestry as an Asset Class	A detailed overview of Forestry as an asset class with focus on key risks and opportunities.	Officers
February 2023	CIPFA Pensions Network Training on Preparing the Annual Accounts	Training on preparing the annual Statement of Accounts for the Fund.	Officers
March 2023	Barnett Waddingham - Introduction to the LGPS	Introduction to the LGPS, scheme members, key duties of employers, types of benefit, the McCloud & Sergeant judgements	Board/Panel
April 2023	London CIV Webinar in association with Northern Trust - Aftershocks - An Economic Outlook for the Balance of 2023	Views on the recent banking crisis, pre-crisis economic trends and lasting effects of Covid-19 on the economy	Officers
May 2023	London CIV and Pensions for Purpose - Impact Investing	Introduction to Impact Investing including key investing themes.	Officers
June 2023	Fidelity - Investment Training	Training covering various type of investment.	Board/Panel
July 2023	LAPFF Mid-Year Conference	Included sessions on incentivising climate action - linking climate metrics with executive pay, ending modern day slavery, the role of companies and investors and the ESG backlash in the US.	Officers
September 2023	Barnett Waddingham - Legislation and Governance	Key legislation of the LGPS, key bodies within the national governance structure, role of the administering authority, Pension Panel and Local Pension Boards	Board/Panel
September 2023	LCIV Annual Conference	Two-day conference featuring various sessions including LGPS Pooling Consultation Roundtables, TNFD - what it is and how it will affect the LGPS and Unveiling the Pillar of Governance	Officers

Date	Training/Seminar	Detail	Attended by
September 2023	SPS Net Zero, Impact and Sustainable Investment Conference	Sessions included Selection, appointment and monitoring of investment managers from a sustainability/ESG perspective, place based impact investing, impact investing for net zero: lessons from the LGPS and sustainable finance regulation	Officers
November 2023	LCIV and Redington Natural Capital Workshop	Introduction to natural capital investment - key risks and opportunities.	Officers
November 2023	Room 151 Investment Forum	Sessions included asset allocation in the LGPS, investing in sustainable infrastructure - ambitions and opportunities and the outlook for equities - active passive, impact and sustainability.	Officers
December 2023	Greasham House - Training on Carbon Credits	Further training following an initial session on forestry - focus on understanding what carbon credits are and how they work.	Officers
December 2023	Hymans - Investment Performance Measurement and Risk Management	The importance of performance measurement, regulations in place and different ways of measuring performance.	Board/Panel
December 2023	Hymans Member Training Guidance	Webinar covering what 'appropriate' Committee training could look like and the challenges for funds to put the Government's investment consultation expectations.	Board/Panel

This focus on training ensures that the Fund can demonstrate that Panel, Board and officers have the essential knowledge required to undertake their governance duties and to run an efficient and effective Fund for its members and supports our strategy of ensuring that those charged with governance have the right information – taking adequate time to research where necessary.

### Outcome

The Fund has made continued progress in its stewardship journey through 2023 supporting its core values and investment beliefs, namely engaging on ESG to explore the risks and opportunities presented by climate change, training our members and officers to ensure effective due diligence and providing clear communication to members on the move forward to more sustainable investments

- creating long term value for members and employers alongside benefits to the economy, the environment and society. However, as we move into 2024, the Fund still has much more work to do. The Fund will be re-reviewing its net zero roadmap, which was initially put in place in 2022 and will reaffirm its commitment and progress towards its net zero target. The Fund also needs to undertake an overarching review of its voting and engagement activities and how it will report on these.



## Principle 2

### Signatories' governance, resources and incentives support stewardship.

#### Context

#### Our Structure

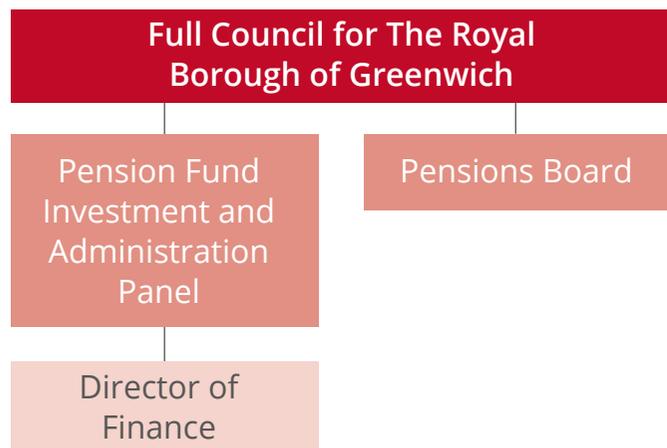
#### The Pension Investment and Administration Panel

The Royal Borough of Greenwich, under its constitution, has delegated the responsibility of the Fund to the Pension Investment and Administration Panel (the 'Panel'). The Panel is a decision-making body and therefore has governance and oversight of all Fund matters including, but not limited to communications and administration, investment strategies, scrutiny of external investment managers and performance assessment, employer and employee member engagement and policy review. The Panel consists of four Greenwich Councillors with full voting rights and decisions should be made in the best interest of the Fund and its members. Representatives from admitted bodies and the trade unions are invited to participate as members of the Panel, but do not have voting rights. The Panel convenes a minimum of four times a year.

#### The Board

On 1 April 2015 the Royal Borough of Greenwich Local Pension Board was established in accordance with Section 5 of the Public Service Pensions Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended). The Board was established by the Pension Fund Investment and Administration Panel under delegation from the Administering Authority and operates independently of the Panel. Its purpose is to assist the Administering Authority in its role as a scheme manager. The Pension Board consists of four members, each with voting rights. These members are made up of two member representatives and two employer representatives. The Board will meet, as a minimum, two times a year. The chair of the Board, with consent from the Board members, may call additional meetings. In 2023 the Board met four times.

The table below illustrates the governance structure in place for The Royal Greenwich Pension Fund



Further information regarding the delegation arrangements for the Fund can be found in the Funds Governance Compliance Statement on the Council's website [royalgreenwich.gov.uk](http://royalgreenwich.gov.uk). The statement is reviewed annually. The Panel and Board also produce and maintain Terms of Reference.

### The Business Change Accountancy Team (Treasury and Pensions)

The Panel has delegated the daily management of the Fund to the Director of Finance who is the Council's Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. The day-to-day running of the Fund is further delegated to officers within the Accountancy and Business

Change – Treasury and Pension Investment Team and the Pensions Administration Team.

The Treasury and Pensions Team is made up of 6.5 full time equivalent (FTE) staff, with half of the team focused mainly on the Pension Fund. The team is headed by the Business Accountancy Change (Treasury and Pensions) Manager who directly reports to the Director of Finance (S151 Officer). The team is made up of officers from a range of backgrounds, all of whom have public sector experience and are members of or are currently undertaking qualifications with professional bodies such as AAT, CIPFA and ACCA.

The work undertaken by this team includes:

- Day to day management of the Fund including all reconciliation and accountancy work.
- Day to day liaison with Fund Investment managers, the Fund Custodian, Investment Advisors and the Fund Actuary and all other counterparties
- Production of quarterly and annual Pension Fund Accounts, alongside collaboration with the Fund auditors during the audit process.
- Production of the Annual Report.
- The provision of guidance to the Pension Fund Investment and Administration Panel and Board on all reports, policies and statements.

- Co-ordination of training including the annual away day
- Management and oversight of fees

### The Pensions Administration Team

The Pension Administration team comprises of 13.6 full time equivalent (FTE) staff, however there are 4 FTE posts unfilled, these being 3 x senior officer posts and the Head of Pensions post. The team covers both the employing and administration duties for the Local government Pension scheme (LGPS) in the Royal Borough of Greenwich Pension Fund and employer duties in respect of Greenwich employees who are members of the NHS Pension Scheme and the London Pension Fund Authority (LPFA) pension fund. The services provided by the pension section consist of:

- The administration of the Local Government Pension Scheme (LGPS) in accordance with relevant legislation.
- The running and maintenance of the Pension Payroll to ensure accurate and timely payment of monthly pensions.
- The maintenance of accurate records for each member of the pension scheme (including the employing authority and every admitted body that contributes to the Royal Borough of Greenwich Pension Fund).

- The provision of key employee data to the NHS and London Pension Fund Authority.
- The provision of information and key data to scheme members and other bodies associated with the LGPS.
- The provision of guidance to the Pension Fund Investment and Administration Panel on pension legislation and the options available.
- To encourage and promote membership of the LGPS.

The administration team has the following aims at its core:

- The improvement of standards and efficiency and to keep costs under scrutiny.
- To develop plans to increase IT efficiency and give members more options with regards to accessing details of their pension benefits and other information.
- To train and develop staff in respect of any changes to legislation and to meet the service requirements.
- To achieve a high standard with regards to service delivery and customer service.

## Activity

Officers, under delegation from the Director of Finance as Section 151 Officer, are responsible for the day to day running of the Fund, undertaking research and providing a range of reports to the Pension Panel in collaboration with the Funds service providers including investment managers, investment advisors, the Fund Actuary and the Pensions Administration Team.

The Panel, as the decision-making body for the Fund, receives these reports alongside presentations and liaison with various counterparties and undertakes decisions on various matters including (but not limited to) agreement of policies and procedures, changes in asset allocations, frameworks for training, ESG priorities etc. Key examples of reports reviewed, and decisions made by the Panel in 2023 include:

- The transition of £237.5m of global assets into a Low Carbon Equity Fund.
- Agreement of the revised Investment Strategy Statement to include revised investment allocations.
- Quarterly review of fund manager performance.
- Review of the Funds annual accounts and agreement of the Annual Report.

The Pension Board, provides an additional layer of scrutiny, overseeing the governance of the Fund and the work undertaken by Panel. The Board has a role to hold the Panel accountable for its decisions and as such, makes recommendations to committee as required.

## Other Key Counterparties/Service Providers

The Fund also receives a range of services from other providers supporting its stewardship activities, all of whom are invited to relevant Panel meetings during the year. The experience and expertise of the advisors of the Fund are reviewed and assessed as part of the tender of contracts to ensure that third parties have the requisite knowledge and skills. The Fund investment advisors, actuary and investment managers are all FCA regulated firms. The Funds external counterparties include:

- Investment Advisors – Hymans Robertson
- Fund Actuary – Barnett Waddingham
- Custodian – Northern Trust
- External Auditors – Grant Thornton
- Pooling Manager - London Collective Investment Vehicle (LCIV)
- Investment Managers CBRE Global Investment Partners, Blackrock Advisors (UK) Limited, Fidelity, Partners Group (Guernsey) Ltd, Wilshire Associates and Legal and General Investment Management (LGIM).

## Training and Performance Measurement

Due to the nature of the Fund being that of a local authority and staff pay being aligned to the Royal Borough of Greenwich pay policy (through which fairness of pay across roles is ensured) there is little opportunity for the Fund to provide financial incentives to officers to drive performance. However, officers work within the councils flexible working policy and are permitted to work from home for a percentage of the week. This is undertaken while ensuring that the interests of scheme members is priority. This flexibility, coupled with a strong investment into training and development helps to encourage staff to undertake their work proactively.

The Fund recognises that effective financial administration and decision-making can only be achieved where those involved have the requisite knowledge and skills. The Fund therefore collaborates with its investment advisors, fund managers, actuary and other stakeholders in the delivery of its training.

The Fund also recognises that training can take various forms and therefore uses various methods of delivery including, but not limited to, formal presentations, webinar attendance, workshops, informal discussion and reading of relevant articles and publications.

A training plan is produced on an annual basis and is updated as necessary to account for any changes in legislation, updated guidance, and other relevant changes. Alongside the training plan, officers maintain a training register which will hold details of training courses/events available alongside details of who has attended. A list of the training undertaken by Board, Panel and officers during 2023 can be found under Principle 1.

Training is undertaken on a rolling programme, ensuring that the six key areas of the Knowledge and Skills Framework are covered. These are undertaken at each Panel and Board meeting and are aligned to the content of the meeting to ensure relevance. The Fund's Knowledge and Understanding Policy and Framework is published on the council website ([royalgreenwich.gov.uk](http://royalgreenwich.gov.uk)) to demonstrate that the Fund has adopted the 2021 CIPFA Code of Practice on LGPS Knowledge and Skills.

Newly appointed members of both the Panel and Board receive induction training carried out by the Funds investment advisors and Pension Board members are encouraged to use the e-learning toolkit provided by the Pensions Regulator. Although there is no statutory obligation placed on them to do likewise, Panel members and officers are encouraged to do the same.

As aforementioned under principle 1, during 2023 the Fund ascertained a free trial of an online training platform called Enlighten provided by the Funds Actuary, Barnett Waddingham. Panel, Board and officers all have access to the system which provides training videos on various LGPS related topics.

As part of the trial users will be actively providing feedback to help shape the platform further into 2024.

The Fund recognises the importance of developing and supporting staff within each team and within their roles. Officers receive regular 1 to 1's with managers to discuss areas of development, including training and feedback on performance. Officers also each have an individual workplan which is regularly reviewed with their line manager. This process makes each team member accountable for their part in the running and stewardship of the Fund. During 2023 the Fund has continued to support its Business Change Accountants studies under the Chartered Institute of Public Finance Accounting (CIPFA) and supported the Funds Accountancy and Business Change Deputy Finance Manager to complete a 6 week certified Focus On ESG Course which helped to strengthen the teams ESG credentials with practical training and strategic know-how.

## Diversity, Equity & Inclusion and Social Value

Staff within the Pensions Administration and Business Change Accountancy Teams work in line with the Royal Borough of Greenwich Equality Policy. As council employees, officers share the responsibility to promote equality, diversity, and inclusion (EDI) in every aspect of their work and the Fund has begun to incorporate questions within its tendering process around the EDI policies and processes for the third parties with which it works. Ensuring that Fund contracts contain a tangible deliverable with regards to social value is also a key component of the tendering process for the procurement of pension fund services.

## Reporting Rules

The Royal Borough of Greenwich has strict reporting rules to which the Fund adheres. These new rules include detail by officers as to how the report inter-links with Royal Greenwich's high-level missions and the requirement for officers to stipulate the pros and cons of the different options available to members to provide a holistic analysis of the options available. Reports are then reviewed by the Council's Legal Department for comment before publication. All reports to the Pension Panel and Board in 2023 adhered to these guidelines supporting stewardship by providing clear, concise, and transparent communication for Fund members and ensuring that those charged with governance are given the correct information and tools to make informed decisions.

## Outcome

The governance structure in place helps to support stewardship by providing various layers of review and accountability on decisions regarding the administration, investment and governance of the Fund. Furthermore, there are clear roles and responsibilities set via individual workplans, 1 to 1s and within the Terms of Reference for the Panel and Board.

Panel, Board and officers have undertaken various training throughout the year, ensuring that they have the requisite knowledge and skills to undertake their work and empowering staff and Panel and Board members to undertake their stewardship roles with confidence and consideration.

Strong working relationships between the Accountancy Business Change and Pensions Admin Teams help to ensure cohesion across the breadth of the Fund. Interaction between officers at all levels and the Fund's various external counterparties help to ensure strong stewardship across all work within the Fund and also help to empower staff to build strong working relationships and to collaborate with third parties as appropriate.

Clear expectations with regards to report requirements help to ensure that the Fund fulfils one of its key purposes of ensuring that our members can access clear and accurate information to plan for their retirement.



## Principle 3

### Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

#### Context

#### Conflicts of Interest

For the Fund to ensure that it is run in the best interest of its members, conflicts of interest must be identified, monitored, and managed.

A conflict of interest occurs when an individual's personal or financial interests could compromise their judgement to make a decision or recommendation within their official capacity.

Conflicts of interest in relation to the Funds responsible investment and stewardship may occur when:

- Those charged with governance (or their family/close contacts) have a personal or financial interest that could influence a decision or recommendation they make within their role.
- Where the personal/financial interest of an officer prevent them from working for the best interest of the Fund.

- An officer, Panel or Board member receives gifts or hospitality to gain preferential treatment.
- An external counterparty, such as an investment manager or advisor, may provide other services than that for which they have been employed which prevent them working within the best interest of the Fund.

There is an inherent conflict of interest presented by virtue of the structure of the LGPS in that the Royal Borough of Greenwich is the administering authority for the Fund while also being an active employer in the Fund. The objectives of RBG as a local authority may not always be aligned to those of the RBG Pension Fund, which is a separate entity. In order to mitigate the conflict of interest presented by this dynamic, there is segregation between the authority and the Fund in relation to budgets, its governance structure and the external parties it uses.

## Officers, Panel and Board

The Royal Borough of Greenwich Constitution sets out the expectations of officers and members in relation to conflicts of interest. The elected members on the Pension Fund Panel are further governed by 'The Members Code of Conduct'. The Code stipulates the following:

- Written notice of any financial interest including the name of any relevant body with a brief description of its purpose must be provided to the monitoring officer within 28 days of any new or change to the interest.
- If a member is at a meeting and has a personal or financial interest in any matter to be considered, the existence and nature of the interest must be declared at the start of the meeting. A disclosure must be made for six months after ceasing to be appointed to that body.
- If there is a sensitive interest, the fact that there is an interest must be disclosed.
- If a member proposes to make an executive decision in relation to a matter, then:
- If there is a personal interest in a matter, a written statement of the decision must record the existence and nature of the interest; and

- if there is a financial interest or a personal interest the member must not make an executive decision or take any steps in relation to the matter, except to enable it to be dealt with by someone else.

Any declarations of interest declared are detailed on the Register of Member Interests. This is monitored and updated regularly and published on the Royal Borough of Greenwich's website.

Each year, as part of the completion of the Pension Fund Annual Accounts, officers and Panel and Board members are expected to complete a Related Party Transactions form. This details any related party transactions which may have taken place in the year and is reviewed by the Funds auditors during the audit process.

A review of the processes and procedures in place to identify and manage any potential conflicts of interest is also picked up as part of the Royal Greenwich internal audit review of the Pension Fund.

Conflicts of Interest is a feature of the Funds risk register which is broken down and reviewed quarterly by the Board and reviewed in its entirety by Panel each year.

## Investment Managers

Voting and engagement by investment managers may also present a conflict of interest. The Fund expects its investment managers to maintain publicly available Conflicts of Interest Policies. These are reviewed as part of the Investment Manager appointment process.

## Training

In line with the 2021 CIPFA Code of Practice on LGPS Knowledge and Skills, officers, Panel and Board members receive a rolling training programme which covers the requirements and expectations of them to govern the Fund with transparency and integrity. As part of this training, officers, Panel and Board members are encouraged to complete The Pensions Regulator (TPR) online Toolkit, a set of learning modules, one of which covers conflicts of interest.

## Activity

In 2023 there were no potential or actual conflicts of interest which required management.

Each financial year the Fund declares, in its annual accounts, any related party transactions which are reviewed by external audit. As at 31 March 2023, no trustees or key management personnel of the Authority with direct responsibility for pension Fund issues had undertaken any material transactions with the Pension Fund, other than the following:

- Administrative services were undertaken by the Authority on behalf of the Fund, under the SLA, valued at £0.980m (2021/22: £1.111m).
- The Royal Borough of Greenwich is the single largest employer of members of the Pension Fund and contributed £33.090m to the Fund in 2022/23 (2021/22: £30.923m).
- With respect to other Scheduled Bodies, an amount of £0.282m was owed to the Fund by Academies at year-end for contributions due.
- The Royal Borough of Greenwich Pension Fund is a Member of the London Collective Investment Vehicle (LCIV). As at the reporting date, Councillor Olu Babatola was the Fund's representative on the Board and the deputy was Councillor Nick Williams. In 2022/23, administration and management fees of £0.204m were paid to this organisation.

This will be reviewed and reported on again as part of the 2023/24 annual accounts process.

Section 5 (4) of the Public Service Pension Act 2013 (the "2013 Act") stipulates a requirement for public sector pension schemes to make provisions to ensure Board members do not have conflicts of interest. The Pensions Regulator (tPR) has regulatory oversight of public sector schemes by virtue of the 2013 Act. The 2013 Act added new provisions to the Pensions Act 2004 requiring the tPR to produce a Code of Practice regarding the governance of public service pension schemes. In September 2023 the Board agreed its Conflict-of-Interest Policy to ensure it manages conflicts of interest in line with this code. The policy was previously embedded with the Board Terms of Reference but has now been adapted into a separate stand-alone document to ensure that the Board will manage any potential conflicts of interest appropriately. The policy covers legislative requirements in relation to conflicts of interest and the role of the Board and administering authority in identifying, monitoring and managing conflicts of interest. Pension Panel are due to review this policy in their March 2024 meeting.

## Outcome

During 2023 the Funds approach to identifying, monitoring, and managing conflicts of interest has acted as intended. Conflict of Interest declarations feature on the agenda of every Panel and Board

meeting and are documented in the minutes. Officers, Panel and Board members receive training covering conflicts of interest and the conflict policies of external providers are considered at the point of appointment.

As part of its annual accounts process, the Fund declared any relevant related party transactions in line with the CIPFA Code of Practice and this was reviewed as part of the annual external audit process.

The Pension Boards Conflict of interest Policy specifies the role of Board and officers in ensuring that any potential conflicts of interest are identified, monitored, and managed. The policy will be reviewed on each material change and at least annually.

Conflicts of interest is a key topic on the Funds rolling training programme. The Fund also encourages Panel and Board members to complete the conflict-of-interest unit of the TPR Toolkit.

The Fund still needs to undertake more work in relation to the continual monitoring of conflict-of-interest policies of external providers. In 2024, the Fund intends to undertake a re-review of the current policies in place across its external providers including the LCIV to ensure that their conflicts of interest policies are still fit for purpose and to maintain this review on a regular basis. The Fund also needs to undertake a more rigorous review of the voting undertaken by managers to ensure that it is aligned to the voting policy of the Fund.



## Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

### Context

Effective risk management underpins strong corporate governance. The key function of the Fund is to provide retirement benefits to members when they fall due and therefore, as a long-term investor, the Fund must continually work to identify and manage risk to help promote sustainable, well-functioning financial markets.

### Market-wide Risks

Market-wide risk affects the performance of an entire market often leading to financial loss. Causes of market-wide risk, which could impact the Fund include (but are not limited to):

- **Interest Rate Risk** – the risk of unpredictable interest rate changes on assets.
- **Equity Risk** – the risk associated with investment in commodities as stock prices fluctuate with supply and demand.

- **Currency/Exchange Rate Risk** – These can change rapidly as they are affected by various political and economic situations.
- **Geopolitical Issues** – the impact of political, socioeconomic, and cultural factors/events on business/markets.

### Systemic Risks

Systemic risk is the risk that an event may lead to the collapse of an economy, financial market, or industry. Systemic risks which could affect the Fund include (but are not limited to):

- **Counterparty Risk** – the counterparty to a transaction defaults on their element leading to a potential loss for the fund.
- **Security Risks** – such a cyberwarfare attack.
- **Political risks** – for example conflict or trade wars between nations.
- **Environmental factors** – such as climate change, natural disasters, biodiversity loss.

## Activity

### Information from Key Counterparties

To monitor market-wide and systemic risks the Fund utilises information from its key stakeholders.

Market Commentary from Managers	The Funds investment managers include relevant market commentary in their quarterly reports. Officers meet quarterly to discuss the performance of each mandate and during this process also discuss market conditions and how these have and may in future effect performance.
Investment Advisors	The Fund utilises its investment advisors, Hymans Robertson, to gain insight on market trends and potential risk areas. Hymans Robertson produce a quarterly performance report for the Fund which is received by both Panel and Board – this report includes market commentary and its impact on the Fund.
Bloomberg	Fund officers have access to a Bloomberg terminal through which they set up various alerts to monitor the market (examples include MPC bank rate change announcements, alerts on specific companies and monitor of the FTSE 100)
Publications and Webinars	Officers actively monitor articles and notifications from publications such as Room 151, Pensions Expert and Public Finance which include commentary on the financial markets. Officers also attend various Pensions & Treasury conferences throughout the year that provide commentary from investment professionals about the state of the global economy.



## Risk Register and Policy

The need for effective risk management is reflected throughout guidance and regulations in the LGPS, notably in Regulations 12(2) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and in the CIPFA 2018 publication “Managing Risk in the Local Government Pension Scheme”.

Responsibility for risk management is an issue for all those involved in the management of the Fund, with overall oversight falling to the Panel. The Fund maintains and monitors an in-depth risk register. The risk register is reviewed by Panel annually and split into four sections which are reviewed by Board each quarter on a rolling basis. This ensures that the risk register is reviewed regularly. The risk register is much more than a paperwork exercise – it is a tool within which to actively identify, analyse, control, and monitor risk. The risk register is divided into the following risk categories:

- Administrative risk
- Compliance/regulatory risk
- Employer risk
- Investment Risk
- Liability Risk
- Other Risk

- Reputational Risk
- Skill Risk

Within each category a series of risks are identified and upon each review an update of the status and any changes in relevant controls are made. Each risk is assigned an ‘owner’ - a responsible officer who reviews and updates the risk details at least annually. The risk register is published annually as part of the Funds Annual Report. The 2022/23 annual report can be found on the Royal Greenwich website [royalgreenwich.gov.uk](https://royalgreenwich.gov.uk)

Following review of the risk register at its September 2023 meeting, the Pension Board requested to receive a presentation from the Infrastructure Manager of the Digital and Customer Services Department at their December 2023 meeting to further understand the risks to the Fund in relation to the complex area of cyber security.

## ISS and FSS

The Funds Investment Strategy Statement (ISS), Responsible Investment (RI) Policy and Funding Strategy Statement (FSS) also address various risks and the associated control measures including financial, demographic, regulatory, maturity and governance risks. The Funds Funding Strategy Statement can be found on the Royal Greenwich website [royalgreenwich.gov.uk](https://royalgreenwich.gov.uk).

## Diversification

As stated within the Funds investment beliefs under principle 1 - one of the key mechanisms for ensuring that the Fund mitigates market and systemic risk, is to hold a diversified portfolio of investments with a suitable strategic asset allocation benchmark for the Fund, which sets an appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk. Consideration is also given to diversification across asset types, geographies, and managers. Further details of the asset and geographical allocations of the Fund can be found under principle 6.

The Fund carried out an asset liability modelling exercise in conjunction with the 2022 actuarial valuation in June 2023. As part of the exercise a number of contribution rates and investment strategies were modelled and the implications of adopting a range of alternative investment strategies were assessed. The Panel considered the probability of being fully funded at the end of the projection period and considered the level of downside risk under a range of different scenarios.

This approach helps to ensure that the investment strategy takes due account of the maturity profile of the Fund (in terms of the relative proportions of liabilities in respect of pensioners, deferred and active members), together with the level of disclosed surplus or deficit (relative to the funding bases used).

This commitment to ensuring that the Funds investment portfolio is continuously reviewed and diversified can be seen in the work completed by the Fund in this regard over the last few years:

2020	<p>Asset/Liability review undertaken. Panel agreed the following updates to the long-term strategic allocation to provide further diversification:</p> <ul style="list-style-type: none"> <li>• A 5% decrease in the allocation to equities, to 45%;</li> <li>• Reshape the allocation to illiquid assets by increasing allocations to private debt and infrastructure to 5% and reducing the allocations to private equity and global property to zero.</li> <li>• A 3% increase in the allocation to multi-asset funds, to 13%;</li> <li>• A 2% increase in the allocation to multi-asset credit, to 12%;</li> </ul>
2021	<p>Panel agreed to invest £42.5m into the London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund (2.5% of its 5% infrastructure allocation – leaving a further 2.5% to provide further diversification across a number of infrastructure projects and sectors).</p> <p>Panel agreed to make a commitment of £85m to the LCVI Private Debt Fund – a 5% allocation. Initial drawdowns for both mandates have been undertaken.</p>
2023	<p>£237.5m of global equities were moved into the LGIM Future World Global Equity Index Fund – a low carbon passive equity fund.</p> <p>Follow a further asset liability study, the Panel reviewed the Fund Investment Strategy and agreed the following changes:</p> <ul style="list-style-type: none"> <li>• A 5% decrease in the allocation to equities to 40%</li> <li>• To reshape the allocation to illiquid assets by increasing allocations to private debt and infrastructure to 10%</li> <li>• The increased allocations will be funded by an 8% decrease in the allocation to multi-asset funds to 5% and a 2% decrease in the allocation to multi-asset credit to 10%.</li> </ul>

To ensure that the Fund is appropriately diversified, the Fund seeks investment advice from its advisors, Hymans Robertson. The asset allocation and benchmarks of the Fund are reported to Panel with each quarterly performance report and the Funds investment advisors provide advice on any additional steps which could be taken to mitigate risks.

### Government Consultation on Investments

On 11 July 2023 the Department for Levelling Up, Housing and Communities (DLUHC) issued a consultation on Local Government Pension Scheme Investments. The consultation proposed the Governments vision for pooling, setting out what it believes to be the LGPS's role in levelling up and private equity investment. The Fund evaluated the proposals, seeking viewpoints from its investment advisors, actuary and LGPS peers. The Fund provided a response to the consultation in September 2023, ahead of the 2 October 2023 deadline, to ensure that its views were considered. The Funds investment advisors, actuary and the LCIV also responded to the consultation.

## Training

One of the ways in which the Fund continues to work to mitigate against various types of risk, including market wide and systemic risk, is to ensure that officers, Board, and Panel members have the vital knowledge and skills to undertake their governance roles. Performance measurement and risk management training was provided to Panel and Board in December 2023. Alongside this, officers have received training on the risks and opportunities posed by new asset types linked to biodiversity including natural capital and forestry. The risks in relation to these investments will be further discussed during the Funds next Strategic Away Day due to be held in February 2024.

## Collaboration

The Fund recognises that partnership is a vital tool to understand and reduce risks. Collaboration with other counterparties provides valuable information to help identify potential risks and share insight as to how to mitigate these risks. Throughout the year the Fund has continued to engage with various counterparties including other LGPS colleagues, its investment advisors, actuary, and investment managers and through its membership of the Local Authority Pension Fund Forum (LAPFF). Throughout 2023 officers have attended business updates alongside the mid-year and annual conferences of the LAPFF to keep abreast of the work undertaken

by the forum. Key work undertaken by the LAPFF in relation to risk during 2023 includes (but is not limited to):

- Signing up to the Nature Action 100 initiative. Nature Action 100 is a global investor engagement initiative led by Ceres and Institutional Investors Group on Climate Change (IIGCC)<sup>5</sup> which aims to work with companies to promote positive environmental impacts to reduce the operational, reputational, and regulatory risks association with biodiversity loss.
- During 2023 the LAPFF has continued its work to encourage companies to have an annual 'Say on Climate' vote at their Annual General Meetings (AGMs). This further supports the enhancement of transparency on financially material risks facing investee companies.
- A session entitled 'Responding to the climate emergency: How are LGPS Funds and Pools managing climate-related financial risk' featured during the annual conference.
- Given the collapse of Thomas Cook and Carillion in recent years it is clear that there continues to be systemic problems with accounts and audits leading to the collapse of various institutions. The LAPFF has previously written to the UK Accounting Endorsement Board (UKEB) requesting clarity on their position with regards to the guidance they use for standards

endorsements purposes. The LAPFF has continued to challenge this issue and the Fund will continue to monitor its progress.

## Outcome

Panel and Board have proactively reviewed the pension fund risk register, requesting more information to further their understanding where necessary to enable them to challenge where appropriate. The risk register will continue to be reviewed by Board quarterly and by Panel annually to ensure it is looked at on a regular basis.

ESG issues can have a material impact on the long-term risks and returns from Fund investments. A robust RI policy helps to ensure that ESG risks and opportunities are recognised, understood, and acted upon. ESG is a specific risk category featured on the Funds risk register.

The Fund recognises that climate change presents a financial systemic risk (physical and transitional) which can have a long-term impact on investments. The Fund plans to re-review and update where necessary its Net Zero Roadmap in 2024 to ensure that it is still fit for purpose.

The Fund ensures that Panel, Board and officers receive training specific to the various risks to the Fund. The Fund also encourages Panel and Board members and officers to complete the TPR Toolkit which covers risks posed to Pension Funds.

<sup>5</sup> Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. The IIGCC is a membership body for investor collaboration on climate change.

The Fund needs to undertake further work in relation to engagement and collaboration in this area. Although a member of the LAPFF, the Fund has more work to do to ensure that it utilises its membership of the LAPFF. The Fund needs to conduct more in-depth reviews of the work undertaken by the LAPFF and how it can feed into specific areas of risk.

The Fund adheres to its investment beliefs that a strategic asset allocation, which is regularly reviewed, and diversification are key factors to reduce investment risk. This can be seen through the continued work undertaken with regards to asset allocation review.

The Fund ensured that it responded to the Governments Consultation on LGPS Investments and evaluated what impact it believes the proposed changes would have on the Fund. The Fund will consider next steps to ensure that asset allocation decisions are made in the best interest of the Fund and its members.





## Principle 5

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

### Context

The Fund has a legislative duty to monitor and maintain certain policies (please see table below) however the Fund recognises that the production, review and publication of its policies and procedures is not a 'tick box' exercise. Clear, concise, and informative policies and reporting is vital to ensure that the Fund is transparent in its operation, that it can provide clear information to its members and stakeholders and to demonstrate it is governed effectively and efficiently.

The Fund seeks assurance of its processes through a variety of means including, a clear process for its reporting, via its governance structure, third party assurance through internal and external audits and via clear objectives for its third-party providers. These layers of governance provide various formats through which the Fund can assess the effectiveness of its activities.

### Activity

#### Policy Review

Officers maintain a 3-year rolling business plan for both Panel and Board which factors in policy review required by legislation, alongside upcoming workstreams such as consultations on new policies and informative reports regarding the governance of the Fund in areas such as risk monitoring, investment performance, training, and administration. In March each year the business plan for the following financial year is presented to both Panel and Board. The Business Plan is an evolving document which factors in new policies and reports as and when they are relevant and required. 2023 saw the development of the business plan for Panel, which now not only provides an agenda for the upcoming year but also has a section in which the Fund reviews the work undertaken in the previous year, detailing what was successful and what still needs to be achieved along with an indicative timeline for next steps.

Some of the key legislative policies reviewed by Panel are:

Policy	Overview	Detail
Investment Strategy Statement (ISS)	The Investment Strategy Statement details the Fund's investment strategy, including its agreed asset allocation and voting guidelines. It also details the Fund approach to responsible investment	The ISS is produced under Regulation 7(1) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. It should be updated at least every 3 years following the triennial valuation or if there are significant changes in the investment policy. The Panel aim to review this annually.
Funding Strategy Statement (FSS)	This statement outlines the Fund's approach to meeting its liabilities. The strategy covers the main principles underpinning decisions around employer contributions and how this is linked to the Fund's investment strategy. It is produced in consultation with the Fund's actuary, investment advisor and scheme employers.	The FSS is prepared under Regulation 58 of the Local Government Pension Scheme Regulations 2013 and should be updated when material changes occur. The Panel aim to review this annually.
Governance Compliance Statement	The statement provides details of the delegation arrangements in place for decisions taken in relation to the Fund. It also states how the Fund complies with best practice guidance issued by the Secretary of State.	This is prepared under Regulation 55 of the Local Government Pension Scheme Regulations 2013 and should be updated upon material change in delegation arrangements. The Panel aim to review this annually.
Statement of Compliance with the UK Stewardship Code	The UK Stewardship Code is published by the FRC. It sets out the key principles of effective stewardship for institutional investors to help them better exercise their stewardship responsibilities.	Compliance with the Code is not mandatory for LGPS funds but is supported by the UK Government and is considered best practice. Compliance to the UK Stewardship Code is reviewed annually.
Communications Policy	The Communications Policy describes how the Fund communicates with its members, scheme employers and representatives of both groups. The policy covers the format and frequency of communication.	This policy is prepared under Regulation 61 of The Local Government Pension Scheme Regulations 2013 and is reviewed annually.
Knowledge and Understanding Policy and Framework	This policy is prepared to ensure that all members and decision makers carrying out their roles and responsibilities on behalf of the Fund have the requisite knowledge and skills to do so.	This policy is written in line with the CIPFA Code of Practice on LGPS Knowledge and Skills which was updated in 2021. The Knowledge and Skills Policy is reviewed annually.

In addition to these legislative policies, Panel also review the Funds other policies and processes including (but not limited to):

- An annual review of its administrative arrangements
- An annual review of the work undertaken by Pension Board
- An annual review of its Risk Management Policy and Risk Register

In March each year a separate report entitled 'Fund Strategies, Statements and Reports' is presented to Board. This report details the key policies reviewed by the Panel each year in line with LGPS legislation. By reviewing the Fund's publication of relevant reports, strategies, and statements the Board acts within its stewardship role and ensures the best interest of the Fund, the administering authority, scheme employers and Fund members. The Board also ensures that the Fund is producing relevant reports in line with the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Each year the Board produce an annual report as a roundup of the work they have undertaken for the previous year. The RBG Local Pension Board report is presented to Panel for review and comment. The annual report of the Board is an opportunity for the Board to reflect on the work they have undertaken during the year and discuss areas of success and

areas for improvement. The Boards latest report is scheduled to be reviewed by Panel at the start of 2024.

## Fair, Balanced and Understandable Reporting

The Royal Borough of Greenwich has a strong corporate governance process with regards to the writing and publication of reports for committees. It is important that any reports produced by the Fund are written fairly, are balanced and are understandable for stakeholders. The Fund's reports therefore adhere to a series of guidelines before they are published:

- Reports are written by one officer reporting to a higher officer for secondary review who ultimately reports to a chief officer.
- It must clearly state if the report and/or appendices are exempt from public view and if so, why.
- To provide context and meaning, reports must stipulate how they link to the Royal Borough of Greenwich's corporate missions (as per Principle 1, the Fund aligns to 3 of these beliefs – 1) Greenwich plays an active role in tackling the climate crisis, 2) Our Council is an adaptive organisation, enabling it to navigate the increasing number of challenges it faces while remaining financially sustainable and 3) Our Council works in the most efficient and effective ways possible.)

- The purpose of the report and decision required must be clearly stated at the start of the report alongside the relevant legislation under which the decision is required.
- Reports must stipulate the available options in relation to the decision being made. There must be pros and cons for each option to demonstrate a balanced view.
- Reports must address a series of cross-cutting issues and implications such as financial implications, equalities, and climate change.
- Reports (and associated appendices) must have oversight from legal who will review and comment upon any legal cross-cutting issues and implications.

Once these guidelines have been adhered to, reports are published 5 working days in advance of any committee to allow enough time for public review of the documents before the meeting is held.

## Governance Structure

The Governance Structure of the Fund provides an additional layer of assurance. The Pension Board was established by the Pension Fund Investment and Administration Panel under delegation from the Administering Authority and operates independently of the Panel. Its purpose is to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS. The core function of the Board is to ensure

to the governance and administration of the LGPS. The core function of the Board is to ensure the effective and efficient governance and administration of the Scheme.

### Audit Assurance

The Funds Financial Statements and Annual Report are audited by the Funds external auditors who assess whether the statements provide a “true and fair view” of the position of the Fund. As part of the annual accounts process, the Fund also reviews internal audit assurance reports from each of its investment managers, including the London Collection Investment Vehicle (LCIV) which are examined as part of the annual audit.

The Funds 2022/23 Annual Report and Financial Statements received an unqualified opinion from the Funds external auditors. This demonstrates that the Fund Account, Net Asset Statement, and notes to the accounts, including a summary of significant accounting policies give a “true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023”.

The Fund also completes an annual scheme return of The Pensions Regulator (tPR).

The Royal Borough of Greenwich’s internal audit department complete internal audit testing of the Fund in line with CIPFA guidelines. The Fund reports on this internal audit process within its Annual Report each year. This internal audit process provides on-going assurance that the Fund is run effectively and efficiently for its members and provides an additional layer of governance to address any risks to the Fund.

### Third Party Performance Assurance

The Fund assures that its third-party services are provided by counterparties who have the requisite knowledge, skills and experience and monitors the work undertaken by these counterparties throughout the life of their contract. The Fund ensures that it procures contracts via The Royal Borough of Greenwich’s Procurement Procedures – Contract Standing Orders. This process includes an evaluation of the social value of any of the services provided and sets KPI’s through which the Fund can monitor the quality of services.

Following a review of the investment consulting and fiduciary management markets, in June 2019, the Competition and Markets Authority (CMA) published an order making it a regularity requirement

for LGPS Funds to set objectives for their investment consultants. Each year the Fund agrees a set of objectives to monitor and assess the performance of the Fund investment advisors, Hymans Robertson. The Fund must submit a Compliance Statement annually to the CMA regarding the strategic objectives set for our investment consultants and monitors our investment consultant’s performance against these objectives.

The Panel receives quarterly performance reports from its investment advisors, detailing the performance of each investment manager. This report is used as a tool for review and discussion of the individual managers performance (and the performance of the Fund as a whole) and provides assurance as to whether the managers are investing as anticipated.

Officers meet monthly with the Fund actuary, Barnett Waddingham, to discuss workstreams and expectations for current projects.

Officers from the Fund attend monthly Business Updates provided by the Funds pool, the LCIV. This provides a platform through which officers can ask questions and raise queries.

## Outcome

Throughout 2023 Panel and Board have continued to review relevant policies to ensure strong corporate stewardship of the Fund.

At its first meeting of the calendar year, Board was asked to note a review of the arrangements for the publication on the Funds Strategies, Statements and Reports throughout the year to ensure that they had a knowledge of the policies to be reviewed and amended, as appropriate, by Panel.

At each meeting of the Pension Board, the Board has reviewed the minutes from the previous Panel meeting to provide governance and oversight of Panel decisions – creating assurance that the Panel is working in the best interest of the Fund and its members.

Although Fund officers meet regularly with third party services providers there is not a set process for reviewing the KPIs set out during the procurement of contracts, review is often ad-hoc. The Fund needs to ensure that a process is put in place to review these regularly and report as required on the performance of its third-party services providers in line with their contracts.

In 2023 both internal and external audit have provided assurance that the Fund is working efficiently and effectively and in line with relevant regulations.

During 2022/23 the Fund worked with its investment advisors to research and develop a sound and robust Responsible Investment (RI) Policy and formulated a net zero target roadmap. The Fund needs to provide assurance that these are working as anticipated and therefore needs to complete a re-review of its net zero roadmap in 2024 to assess the work completed so far and analyse what has been successful and what more needs to be built into the workplan.



# Investment Approach

ROYAL BOROUGH OF GREENWICH  
PENSION FUND STEWARSHIP REPORT





## Principle 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

### Context

#### Scheme Structure and Membership

The Royal Borough of Greenwich Pension Fund (the 'Fund') is part of the Local Government Pension Scheme (LGPS) and is a defined benefit scheme.

The Royal Borough of Greenwich Pension Fund is an administering authority for the LGPS and as at 31 December 2023 comprised of 26,911 made up of:

- 8,632 members who were actively contributing into the Fund
- 8,448 were drawing benefits
- 9,831 members who have rights to deferred benefits.

The average age of an active member is 47. The average age of a pensioner is 71 (with the eldest being 102).

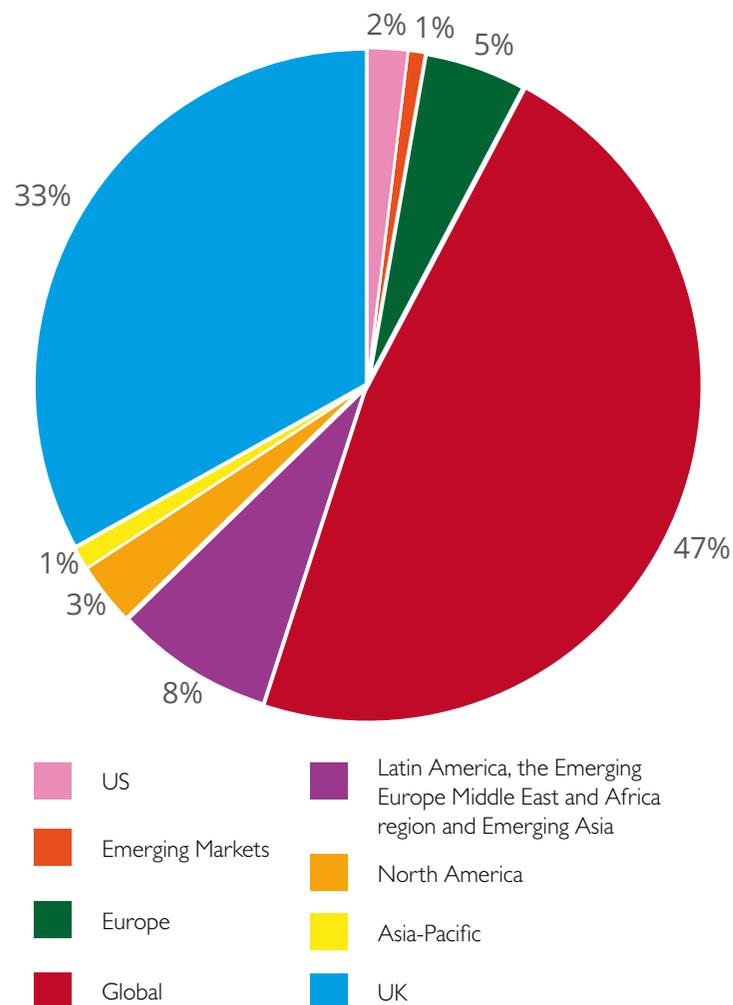
The Fund is made up of 68 active employers. The Royal Borough of Greenwich is the largest employer, making up 80% of the Fund.

#### Assets under Management and Investment Time Horizon

As at 31 December 2023 the Market Value of Fund's assets were as follows:

Investment Assets	MV 31/12/2023 £000
Property - Freehold	5,700
Pooled Investment Vehicles:	
Equities	755,086
Fixed Income	318,026
Property Unit Trusts	137,051
Multi Asset	195,817
Private Equity	928
Diversified Alternatives	101,948
Infrastructure	22,684
Private Debt	66,408
Cash Deposits	152
Cash Equivalents	33,110
<b>Total</b>	<b>1,636,910</b>

The geographical split of the Funds assets can be seen on the chart below:



One of the key responsibilities of the Fund is to ensure that benefits are paid as they fall due. As the Fund is not closed to new members, it therefore, takes a long-term view in relation to its investments. The Funds investment strategy factors into account the long-term nature of the Funds liabilities in relation to the underlying investments. The structure of the Funds' assets is therefore split as follows to accommodate a long-term time horizon:

- Growth Assets – Investments which aim to provide capital appreciation. These return seeking investments aim to provide a positive return over time to grow the scheme assets in order to meet future liabilities.
- Income Assets – Investments which provide income to support the Funds cashflow and therefore ensure that benefits are paid when they fall due.
- Protection Assets – These assets provide further protection against market risks by providing diversification.

The Funds current asset allocation can be seen in the table below:

Asset Class	Target Allocation (%)*
Listed Equities	40
<b>Total Growth Assets</b>	<b>40</b>
Multi-Asset Funds	5
Property	10
Infrastructure	10
Private Debt	10
Multi-Asset Credit	10
<b>Total Income Assets</b>	<b>45</b>
Corporate Bonds	7.5
Government Gilts	7.5
<b>Total Protection Assets</b>	<b>15</b>
<b>Total</b>	<b>100</b>

\*Most recent allocations agreed in July 2023.

The Fund also considers environmental, social, and corporate governance factors which can have a material impact on the long-term risks and returns from the Fund's investments. Longevity risk is built into the triennial actuarial valuation and is therefore included when determining the investment strategy.

## Activity

As mentioned under Principle 1 – one of the Funds keys purposes is to ensure that members can access clear and accurate information. The Fund is accountable to its members and employers, and therefore has a duty to ensure that it provides clear communication and a platform for engagement with its key stakeholders to provide their feedback and views.

When deciding how to communicate we take into consideration our audience and the cost to the Fund. We aim to use the most appropriate means of communication for the audiences receiving the information. The Royal Borough of Greenwich Pension Fund is proud of its diverse and multi-cultural membership and ensures that information is available in a variety of languages and formats.

There are a variety of ways in which members and employers can communicate with Fund officers including via a central email address and phone line through which members and employers can contact Fund officers. The Fund provides an annual Communications Policy Statement which stipulates

how it communicates with its members. The policy can be found on the Royal Greenwich website [royalgreenwich.gov.uk](http://royalgreenwich.gov.uk).

This year, upon request from Panel, the communications policy was updated to state that the Fund will make best endeavours to “issue a regular, at least annual, newsletter to all staff – members and non-members of the scheme” in “simple accessible language outlining costs, benefits, contact details and any recent updates or changes affecting scheme members. In addition, it should contain for instance case studies of individuals receiving their pensions, members’ experience of additional contributions etc”.

The Fund has its own area of the Royal Borough of Greenwich website [www.royalgreenwich.gov.uk](http://www.royalgreenwich.gov.uk) where it holds information for members such as:

- Background information regarding the Fund.
- Published key policies.
- Dates, agendas, minutes and attendance details for Panel and Board meetings.
- Contact details for relevant officers.

The Fund has a member self-service website [mypension.royalgreenwich.gov.uk](http://mypension.royalgreenwich.gov.uk) which allows members to access their records, review their annual benefit statements, undertake estimates of their pension benefits, and make amendments to their personal details, where allowed. Members can also

contact the pension team via member self-service, upload and download various documents and forms. Links are also available to other useful pension sites for example the National Members website, The Pension Regulator, and the state pension scheme.

At the time of writing the Fund had 9,110 members registered with relevant statuses on MSS as follows:

Actives	1,077
Undecided Leavers	112
Deferred Members	2,400
Pensioners	5,260
Spouses	216
Frozen Refund	45

The agendas and supporting documents for Board and Committee meetings are published on the Royal Borough of Greenwich website 5 clear working days ahead of the meetings for public view. The Board and Panel meetings are open for the public to attend.

The Fund publishes an annual report and set of financial statements each year which are audited. These key documents provide information to members and other stakeholders. The accounts are available for public inspection for a two-week period each year before finalisation of the audit and the final documents are published on the council's website.

The policy statement is revised and published following a material change in policy and details how the Royal Borough of Greenwich processes and protects personal data in accordance with GDPR and the Data Protection Act 2018.

Each year an Annual Benefit Statement is sent to members which also features any additional key information, for example, promotion of the My Self-Service platform.

In December 2023, each member of the Fund received a letter with information pertaining to the McCloud judgement and how it may affect them.

The Fund engages with its employers on new policies, for example, the Fund previously held a consultation with employers on the Funds proposed Debt Spreading Agreements (DSA) and set up Deferred Debt Agreements (DDA) which were brought in during 2022 following a government amendment to the Local Government Pension Scheme (LGPS) Regulations. The change in regulations introduced new powers for administering authorities to review employer contributions, spread exit payments via. The two-week consultation period was held for employers to review the policies and raise any questions or concerns. The consultation was issued via email. One employer contacted officers to gain further understanding of the draft policies however no formal responses were received during the consultation period.

## Outcome

The Fund welcomes the views of its members and employers and where appropriate, the Fund consults with employers and members on various governance policies. This year the Panel agreed that it wanted to further open the lines of communication with members and the Fund made a commitment within its communications policy to issue a regular, at least annual, newsletter to all staff – members and non-members of the scheme.

The Fund recognises that it needs to make improvements in relation to monitoring the effectiveness of its communication with members. It needs to reassess the system for monitoring query resolution and other key performance indicators and put in place a system to report on these accordingly.

In 2023 the annual benefit statements for both active and deferred members were provided by the statutory deadlines and additional information was provided to members in relation to the McCloud judgement.

All relevant policies and statements have been published on the Royal Borough of Greenwich

website within relevant deadlines and members and employers have been able to attend all open sessions of the Pension Panel and Board meetings.

The Fund has a standalone Responsible Investment Policy and has created a new section of its annual report dedicated to Responsible Investment and written in line with the four core elements of the Taskforce on Climate-Related Financials Disclosures (TCFD) – these being governance, strategy, risk management and metrics and targets. Focus has been placed on ensuring that these items of communication are written clearly and concisely for members to highlight the risks and opportunities posed by climate change and their relation to pension fund investments. Furthermore, the Fund publishes its carbon footprint emissions data and in 2023 provided its first year on year comparator to show the Funds journey towards net zero.

Promotion of the My Self-Service tool has resulted in an increase in the uptake of members of the service. This has increased from 2,306 members as at 31 March 2022 to 9,110 members as at 31 December 2023.



## Principle 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

### Context

The Fund recognises the importance of integrating stewardship and investment. The Fund understands that the inclusion of environmental, social and governance (ESG) issues, such as climate change, within its stewardship of investments is key for the Fund to fulfill its responsibilities. The Fund will invest in line with its fiduciary duty and requires its investment managers to integrate all material financial factors contributing to long-term financial risk and returns, including ESG considerations, into their decision-making process for all Fund investments. It expects its managers to follow best industry practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the companies and markets to which the Fund is exposed.

### Activity

The Fund began its ESG journey in 2019 and over the past few years has increasingly worked towards systematically integrating environmental,

social and governance issues into the Funds stewardship activities. The world of ESG is continuously changing and the Fund is mindful that it continues its responsible investment journey in line with the overall Fund strategy detailed in Principle 1, namely:

- ensuring that those charged with governance have the right information, taking time to research where necessary.
- ensuring training is timely, appropriate, and continual.
- being transparent and clear in our communications to stakeholders
- collaborating with other counterparties as a tool for objectivity and development
- engaging with relevant companies and investment managers to use our ownership of capital to drive change and
- reviewing our portfolio and activities in line with ESG issues to identify areas of risk and opportunity.

The Funds ESG journey to date can be found below:

March 2019	Initial inclusion of an ESG and Responsible Investment Policy within the Investment Strategy Statement
June 2021	The Panel agreed to invest 2.5% (£42.5m) of its new 5% infrastructure allocation in the London Collective Investment Vehicle (LCIV) Renewable Infrastructure Fund, leaving a further 2.5% to be allocated to other areas on infrastructure to provide further diversification
December 2021	The Panel received an initial report on the carbon footprint information available to the Fund, including information on the 'Meaning and Metrics' of carbon footprint data and the 'Coverage and Availability' of this data within the Fund
February 2022	<p>The Funds annual 'away day' focusing solely on ESG. The day was an opportunity for Panel and Board members and officers to receive further training on ESG issues and to have a round table discussion on the next steps for the Fund in relation to its climate ambitions. The day included:</p> <ul style="list-style-type: none"> <li>• a high-level summary of the Funds carbon, fossil fuel and green energy exposure.</li> <li>• A presentation was given by Hermes EOS on the pros and cons of engagement vs divestment.</li> <li>• Presentations from 6 of the Fund's managers on ESG issues within each portfolio including examples of active engagement undertaken.</li> <li>• The Funds investment advisors proposed a three-dimensional framework to support the Funds climate ambitions including suggestions for, and a discussion on, the next steps required to build a Net Zero Roadmap and broader Responsible Investment policy.</li> </ul>
July 2022	In collaboration with London CIV - Panel received the first annual report detailing the Funds carbon footprint.
July 2022	Development of a Net Zero Roadmap with a pledge to be carbon neutral by 2040 (and a commitment to explore options to meet this target sooner)
August 2022	The Fund produced its first standalone Responsible Investment (RI) policy.
February 2023	The Fund agreed to move global equities representing c15% of total assets into a low carbon equity Fund, this equated to £237.5m
July 2023	The Fund, in collaboration with the LCIV provided its second report detailing the Funds carbon footprint and provided the first year on year comparator.
July 2023	The Fund updated its Annual Report for 2022/23 to include a climate section reporting on the Funds activity in 2022/23 in line with the four core elements of the Taskforce on Climate-Related Financial Disclosures (TCFD)

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The Global Real Estate Sustainability Benchmark (GRESB) is an internationally recognise benchmark for assessing the ESG performance of a property.

## Expectations of Investment Managers

The Fund has a comprehensive Investment Strategy Statement and a standalone Responsible Investment (RI) Policy. The Fund recognises that the integration of stewardship and investment differs across asset classes and geographies. The Fund therefore has the following expectations of its managers:

- **Active** managers are expected to consider financial factors, including ESG considerations in their individual stock selection decisions.
- Work is underway to decarbonise the Passive Equity Fund, as can be seen through the Funds transition to a low carbon passive equity Fund during 2023, covered later in this section. However, the Pension Fund still expects any passive equity managers to use shareholder influence via engagement with the corporates in which they invest on ESG matters and to use their voting rights.
- The Funds property manager provides an annual Sustainability Report which details key ESG focused objectives for the year alongside an ESG maturity matrix assessment and GRESB scores per investment.
- The Fund expects its external investment managers to undertake appropriate monitoring of current investments regarding their procedures and practices on all issues which

could present a material financial risk to the long-term performance of the Fund including corporate governance and environmental factors. The Fund expects its fund managers to integrate material ESG factors within its investment analysis and decision making.

- The Fund believes that the identification and effective monitoring of ESG issues is key to enable engagement with boards of investee companies to seek resolution to 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.
- Investment managers are required to provide copies of their responsible investment policies and are encouraged to report on their engagement activity with companies as part of their regular quarterly reporting to the Fund. The consideration of ESG factors, along with discussion on current examples, is also an item on the agenda at all meetings between the managers and the Panel / officers.
- The Fund holds pooled investments through the London CIV. The CIV has developed its own Responsible Investment Policy. The Fund will require the CIV to monitor the investment

managers appointed for their fund range and provide reporting on the engagement activities of those investment managers.

## Procurement Practices and External Advice

The Royal Borough of Greenwich has a stringent procurement policy by which the Pension Fund abides when procuring services such as investment advice, actuary advice and custody services. As part of the contract standing orders process service providers are expected to incorporate social value into their bid which is assessed as part of the procurement process. The Fund also ensures that equality, diversity, and inclusion (EDI) features in the assessment criteria so that it can ensure the counterparties with whom it works have stringent, effective policies in place.

When obtaining a new investment mandate, the Pension Panel seeks advice from its investment advisors who have the requisite knowledge and skills. The Funds advisors undertake a full assessment of suitable Funds, providing a full product assurance review. ESG factors are integrated into this assessment, which is presented to Panel for review, discussion, and then decision of appointment.

The governance structure of the Fund assures that the selection of new managers/mandates are further reviewed the Pension Board.

## Example - Acquisition of New Mandate

During 2023 the Funds advisors undertook reviews of the suitability of three Low Carbon Equity Funds. The review looked at the following criteria:

- Fund Overview (including but not limited to: objectives, tracking error vs benchmark, target carbon emissions, exclusions, Fund size & Fees)
- Ownership & Focus
- People
- Investment Process
- Responsible Investment

During this review the Funds advisors looked at staff turnover and team size, experience and expertise, investment philosophy, responsible investment policies and how it is executed and the suitability of the actual product design.

Each of the managers presented their offerings to the Panel on 27 February 2023, where Panel assessed each manager further and agreed to move £218.1m of global equities into the LGIM Future World Global Equity Fund. At the point of transition, the actual total moved equated to £237.5m. The Fund provides exposure to developed and emerging equity markets while reducing the weighting of companies with higher carbon emissions. Companies which fail to

meet the minimum expectations in relation to low carbon transition and corporate governance may be excluded from the fund. The index selected aims to meet specific climate objectives in line with the Paris Agreement. This includes an immediate 50% reduction in carbon intensity supported by a 7% year-on-year reduction in carbon emissions, aiming to be net zero by 2050.

The research and assessment undertaken during this process demonstrates the Funds commitment to ensure that those charged with governance have the right information to make decisions on behalf of the Fund and have the tools necessary to utilise the opportunities presented by climate change and work towards a more sustainable way of investing while still ensuring that its fiduciary duty takes president.

## Engagement

As aforementioned, the Fund expects its investment managers to integrate all material financial factors, including ESG considerations, into their decision-making process and to use engagement, where appropriate, to promote good practice in the investee companies and markets within which the Fund is invested. Monitoring the engagement undertaken by the Funds investment managers as part of their investment decisions, especially on ESG factors, is an integral part of the Funds governance

to ensure that the Fund operates for the best interests of its members. As aforementioned under Principle 1, 2023 saw the introduction of investment manager presentations at each Board meeting which specifically focus on ESG and responsible investment. This provides a platform through which Board can ask questions and engage with managers directly on ESG.

Examples of engagement work undertaken by investment managers during 2023 includes:

**Low Carbon Equities** – The Fund manager is working under the Midwest Investors Diversity Initiative (MIDI) and leading an engagement with three companies within the Russell 3000<sup>6</sup> who are not meeting diversity disclosure expectations. The engagement aims to work with the companies to discuss strengthening their policies in relation to the consideration of diversity across board candidates alongside adopting disclosure best practice with regards to the demographic make-up of the companies' workforces.

**Property** – In 2023, as part of engagement with an institutional UK real estate fund with a focus on secure long term income streams, the Funds property manager, contacted the funds underlying manager on a number of ESG related issues, including:

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<sup>6</sup> The Russell 3000 index measures the performance of the largest 3,000 U.S. companies representing approximately 96% of the investable U.S. equity market.

-Future plans for green building certifications across the fund's standing assets: the manager was due to commence their second phase of buildings to undergo BREEAM In-Use certification, the results of which they intended to share with tenants to help inform their own ESG actions.

-The fund's plans for transition planning in relation to net zero carbon targets, which included details of the fund's plans to engage with tenants in ESG matters and identifying opportunities for them to collaborate with tenants. This was despite the fact that all tenants were signed on full repairing and insuring (FRI) lease terms and there were no common, landlord control areas in the fund's portfolio.

-Plans to increase the proportion of energy sourced from renewable supplies: here the manager pointed to their tenant engagement programme, which included occupiers to switch to and fully utilise renewable energy tariffs from their utility providers.

## Carbon Footprint and Fossil Fuel Reporting

As aforementioned, as part of the Funds ESG journey, the Fund has utilised the Climate Analytics services of the Funds pool manager the London Collective Investment Vehicle (LCIV). Continued monitoring of the Funds climate footprint enables the Fund to monitor progress against its Net Zero Roadmap and enables the Fund to report under the requirements of TCFD. The Fund received its first Climate Analytics report for the financial year ending

31 March 2022, which was presented by LCIV in July 2022. The latest Climate Analytics report as at 31 March 2023 was presented to Panel in July 2023 and provided the Funds first year on year comparator.

The chart below shows the reduction in carbon intensity of the Fund between 31 March 2022 and 31 March 2023. This is measured through the total carbon dioxide equivalents per million GBP invested (tCO<sub>2</sub>e/mGBP).

	Direct + First Tier Indirect*	Scopes 1-2-3*
31 March 2022	185.4	835.1
31 March 2023	154.6	831.3
<b>Total Reduction</b>	<b>30.8</b>	<b>3.8</b>

\* Direct and First-Tier Indirect (company emissions deriving from direct business activities or through the first tier of the companies supply chain) and Scopes 1-2-3 (direct operational emissions, emissions from consumption of purchased electricity, steam and other sources generated upstream from the company and emissions deriving from the in-use phase of a company's product or service)

The data provided via the LCIV Climate Analytics Services also concluded that over the year the Funds implicit temperature had decreased from over 3 degrees Celsius (148,741 tCO<sub>2</sub>e) to between 2 and 3 degrees Celsius (59,390 tCO<sub>2</sub>e). This change had derived from two factors:

- The number of Funds with greenhouse gas emission (GHG) trajectories of over 3 degrees

Celsius, had reduced from 5 to 3 Funds during 2022/23.

- The prior year data included trajectories up to 2025, whereas the 31 March 2023 data included trajectories up to 2030.

Fossil fuel exposure per value of holdings had increased by 0.76% since 31 March 2022 however this was due to an increase value of holdings within the Funds passive equity mandate at the point of reporting. The Fund has not actively increased its investment in fossil fuels and the revenue weighted exposure remained the same at approximately 2.5%.

There is still more work to do in this area in relation to the availability and coverage of information. It is important to note that the current carbon footprint data covers approximately 54% of the value of Fund assets. The coverage across each mandate varies; however, the quality of data information is improving, and it is important to note that, at this stage, the quality of the data available is more relevant than achieving maximum coverage. The value of holdings exposure in relation to Renewables was 2.45% of the portfolio as at 31 March 2023, as more of the Funds capital commitment is called, the Fund expects the value of this exposure will improve. The Funds transition of £237.5m of its global equities to the LGIM Future World Global Equity Fund, a reduced carbon equities Fund will also have a positive impact on the carbon footprint of the Fund to be reported in 2024.

## Outcome

The Fund is committed to incorporating material environmental, social and governance factors into its investment stewardship processes. The Fund has a standalone Responsible Investment policy and Net Zero Roadmap, designed to assist the Fund in maximising ESG opportunities and assessing ESG risks within its investment and stewardship activities.

The Fund seeks advice from its external investment advisors with regards to investment selection and assesses the risks and opportunities presented by climate change. During 2023 the Fund made the decision to move £237.5m of passive equities to the LGIM Future World Global Equity Fund. The restructure of this asset class allows the Fund to use its power as a shareholder to help drive change and assists the Fund in working towards its net zero target. This ensures that the Fund capitalises on returns driven by the energy transition so that it remains funded to fulfil its fiduciary duty to provide benefits to members when due.

The introduction of ESG specific investment manager presentations at each Board meeting during 2023, has provided a further layer of governance through which Board ask questions and engage with managers directly on ESG risks and opportunities. This helps

those charged with governance to establish the impact and importance of incorporating environmental, social and governance issues into the investment and stewardship activities of the Fund.

There is further work for the Fund to complete in this area. As aforementioned, the Fund reports annually on its carbon footprint and fossil fuel exposure, however the information available at the last reporting date only covered approximately 54% of the value of Fund assets. Data quality and coverage is gradually improving; however, the Fund needs to be mindful in its reporting that the information currently available provides a snapshot of just over half of the Fund. Reporting on this should improve moving forward as more information becomes available however the quality of data is of the utmost importance.

The Fund monitors and communicates with its investment managers on the engagement work undertaken in relation to ESG however the Fund needs to complete further work via its membership of the LAPFF, using its collective voice to challenge companies and influence best practice. At present, officers attend the quarterly business meetings and annual and mid-year conferences held by the LAPFF, however the Fund intends to actively engage further with the forum in 2024.



## Principle 8

### Signatories monitor and hold to account managers and/or service providers.

#### Context

The purpose of the Fund is to provide an efficient and effective pension scheme to deliver retirement benefits to members. The Fund has a responsibility to its members to provide value for money and assurance of the stewardship of Fund assets, therefore the monitoring of investment managers and service providers is a key component to achieving this. Day to day communication with Fund counterparties is undertaken by Fund officers who hold regular relationship meetings with third-party service providers including the Funds investment managers, the LCIV, the Fund custodian and the Fund actuary and investment advisors. The Fund also has in place various other methods through which it monitors the performance of its managers and advisors and through which it can escalate any causes for concern.

#### Activity

##### Procurement of Services

As part of the procurement process for Pension Fund services the Fund incorporates contract Key Performance Indicators (KPI's) into the tender specification. These KPI's are monitored throughout the life of the contract and should performance fall

below target for two or more reporting periods, the Fund expects the services provider to produce a performance improvement plan, including timescales for rectification of the under-performance.

##### Investment Advisors

The Fund receives investment advice from its advisors Hymans Robertson. Fund officers have a strong working relationship with the Funds advisors and meet with them regularly.

As mentioned under Principle 5, each year, in line with the Competition and Markets Authority (CMA) order the Fund agrees a set of objectives to monitor and assess the performance of the Fund investment advisors, Hymans Robertson. The Fund submits a Compliance Statement annually to the CMA regarding the strategic objectives set for our investment consultants and monitors our investment consultant's performance against these objectives.

##### Quarterly Performance

Both the Pension Panel and Pension Board receive quarterly performance reports from the Funds investment advisors, Hymans Robertson. These reports cover market background and manager performance against benchmark with a look at

historic performance. They Panel utilise these reports and the expertise of the Funds investment advisors to assess investment activity and act when required.

##### Investment Managers

Fund officers have regular communication with investment managers and meet with each manager at least annually. Alongside this, managers present regularly to Panel and Board. 2023 also saw the introduction of ESG specific Investment Manager presentations to Board. This platform allows Board to engage with managers in relation to their environmental, social and governance activities and allows Board to identify and challenge any gaps in this area.

If a managers performance raises concern, Panel will invite the manager to a meeting to gain further information and challenge/set targets where appropriate. The Fund undertook this process during 2023 when the Panel requested that the London Collective investment Vehicle (LCIV) provide a presentation on the performance of the LCIV Real Return and Absolute Return Funds. Following the presentation these Funds remain under monitoring.

## Pooling

Officers have a good working relationship with the Funds pooling provider the London Collective Investment Vehicle (LCIV). The LCIV provide quarterly performance reports to officers which include performance information, engagement activity and an ESG summary. Officers also attend virtual monthly business update meetings held by the LCIV which act as a platform to find out the latest developments within the LCIV and act as an opportunity for officers to raise questions or concerns.

The LCIV hold an annual two-day in-person conference covering various relevant LGPS topics. As part of this event, the LCIV provides a more detailed, up to date breakdown of its operations and performance.

## Fund Actuary

Officers hold monthly virtual meetings with the Funds actuary. These meetings cover relevant workstreams and provide a platform through which expectations of workloads and deliverables is discussed.

## Annual Strategic 'Away Day'

The Fund holds an annual 'Strategic Away Day' within which investment managers, the Funds investment advisors and Fund actuary often provide updates on key work and performance against objectives. This provides a platform through which the work of each provider can be assessed and discussed as required.

## Outcome

Officers have monitored investment managers and service providers regularly throughout the year via virtual meetings and calls and via participation at conferences and webinars. Officers have attended virtual monthly business updates with the LCIV throughout the year and used the platform to ask questions and gain information.

The Fund is happy that its investment advisors have achieved the objectives set for them. Last year the Pension Panel added a new requirement and objective to develop the Panels knowledge on ESG and climate risk to support the implementation of TCFD and to help the Panel understand the risks and opportunities presented by ESG factors so that the Panel can actively challenge counterparties on these issues to ensure strong stewardship of the Fund and meet the needs to the Funds members. The Fund is happy that this objective has been met in 2023.

The Funds annual strategic 'Away Day' provides a further platform through which officers, Panel and Board can interact and assess the work undertaken by various counterparties and challenge where necessary.

Throughout 2023 Panel and Board have received quarterly performance reports detailing the performance of the Funds' assets managers. The Panel has utilised the information provided through this process to engage with the LCIV on the poor performance of the LCIV Real Return and Absolute Return Funds. These Funds remain under monitoring. Investment Policy and Performance was also reported on within the 2022/23 Annual Report to provide information and transparency to members on the work undertaken by managers.

Officers have held monthly virtual meetings with the Fund actuary to discuss current and upcoming workstreams. Officers have also held meetings with the Fund Custodian, Northern Trust, to discuss performance and workloads.

The Fund sets out in its Investment Strategy Statement the guidelines within which it expects its investment managers to vote. Although the Fund receives voting activity reporting, the Fund still needs to complete further work in this area with regards to review of these reports and presentation to Panel which is not currently undertaken on a regular basis. The Fund needs to ensure that it reviews this area to confirm that managers are voting in line with the Funds voting policy.

# Engagement



ROYAL BOROUGH OF GREENWICH  
PENSION FUND STEWARSHIP REPORT

## Principle 9

### Signatories engage with issuers to maintain or enhance the value of assets.

#### Context

The Fund recognises that engagement with key counterparties is a primary tool to maintain and enhance the value of assets. It is therefore prevalent that the Fund not only has well developed principles and processes for engagement but that it also has clear and concise expectations of the engagement undertaken by other counterparties on its behalf.

#### Activity

The Fund undertakes engagement through various forms:

##### Indirect engagement through investment managers

- The Panel has appointed a number of investment managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. As mentioned in Principle 7, the Fund expects its investment managers to incorporate all material financial factors, including ESG factors which contribute to the long-term financial risk and returns, into their daily investment decisions. The Fund expects its managers to follow best industry practice and to engage with companies to promote good practice. The Fund takes stewardship, including manager best practices on engagement, seriously when appointing new

managers and considering new investment mandates and sets out its expectations. The Fund will assess the suitability of its managers were they not meeting the Funds expectations in this regard.

##### Indirect engagement through exertion of voting rights

- The Fund understands that the exercising of voting rights provides shareholders the opportunity to use their position as stewards of capital to promote corporate responsibility in the underlying companies in which its investments reside. The Fund recognises that ultimately this protects the financial interests of the Fund and its ultimate beneficiaries.

The Fund sets out its voting intention guidelines within its Investment Strategy Statement (ISS) and expects its investment managers to engage in voting activity within these guidelines (please see Principle 12 for more information on the Fund voting policy).

**Engagement via LAPFF Membership** – The Fund is a member of the London Pension Fund Forum – a member-led forum which aims to promote high standards of corporate governance through company engagement. The Fund can raise concerns regarding companies which it holds and can participate in engagement activities through the LAPFF.

##### Direct engagement with Fund service providers

- Fund officers meet regularly with various counterparties including its investment advisors, custodian, actuary, investment managers and the LCIV through which it holds pooled investments. These meetings provide the opportunity to engage on items such a service provision, investment performance, investment and funding strategies and legislative and policy developments. This engagement with the Fund counterparties is key to ensuring that the Fund is run effectively and efficiently for its members and to enhance the value of assets.

##### Direct Engagement with Panel and Board

- Every year the Fund holds an annual 'Strategic Away Day' for Board and Panel Members and Officers. Throughout the day various counterparties provide updates and training on relevant topics. It is an opportunity for Board and Panel members to discuss items such as engagement and the Funds expectations in relation to engagement with Fund counterparties. Prior to each Panel meeting the Accountancy and Business Partnering Manager for Investment Partnering holds a pre-meet with the Panel Chair and the Fund Investment Advisors to discuss the upcoming agenda with the objective of affirming the governance responsibilities in relation to the agenda.

## Outcome

As stated in Principle 1 – part of the Funds strategy is to engage with relevant companies, investment managers and other counterparties to use our position as owners of capital to drive change. Some examples of engagement undertaken by the Fund this year include:

**Direct engagement with Fund service providers** - The Fund has engaged with the LCIV to provide carbon footprint data to the Panel as at 31 March 2022 and 31 March 2023. As part of this collaboration the LCIV has continued to provide training on the carbon metric data - the engagement with the LCIV meant that the Fund was able to gain understanding in this area and discuss what needed to be reported and why alongside how to compare year on year data effectively and meaningfully.

The Fund has also collaboratively engaged with its investment advisors, Hymans Robertson, who have produced a three-dimensional framework to support the Funds climate ambitions. In 2024 the Fund intends to re-review its net zero roadmap in collaboration with its investment advisors to assess what has worked and where more improvement is needed.

**Direct Engagement with Panel and Board** – Officers engage with Panel and Board members throughout the year not only during meetings but also via sending out training opportunities and events, researching and answering questions raised and through interaction at the annual ‘Strategic Away Day’ Panel and Board members have received training on the power of and processes for engagement.

**Engagement via LAPFF Membership** – The Fund monitors engagements undertaken by the LAPFF; however, the Fund has not actively engaged on a specific issue via the LAPFF this year. Fund officers have however started to ensure regular attendance at the LAPFF quarterly updates and the LAPFF are set to attend the next Strategic Away Day in February 2024 to discuss with Panel, Board and officers how the Fund can become more interactive with the forum to promote best industry practice and ensure strong corporate stewardship for the benefit of its members.

**Indirect engagement through exertion of voting rights** – Investment managers are expected to vote in line with the Funds policies however further work needs to be undertaken in this area. The Fund needs to establish a process for monitoring and reporting on the voting activity undertaken in more detail and this is something the Fund plans to undertake in 2024.

## Example Engagement 1

The Funds Global Emerging Markets Manager has been in ongoing discussion with a leading sports company based in China since 2016. This proactive engagement has covered various themes including greenhouse gas (GHG) emissions management, raw material sourcing and diversity, and managing modern slavery in the supply chain. The investment manager has made requests to the company to improve coverage and disclosure on supplier audits and sent a recommendation letter to the company Board suggesting more urgency be put on supply chain management especially in relation to modern slavery. Following this engagement, the company has:

- improved the management of its suppliers by adding more indicators on supplier audits, increasing coverage of their audits in 2023 and enhancing their disclosure.
- Rolled out training internally and for their suppliers on forced labour.
- welcomed a new female board candidate in 2023. The female employee mix across the company is 45% and there is now a programme in place to encourage retention
- focused on product quality – looking at using recycled polyester and increasing its use in their products.

The manager will continue this engagement into 2024.

## Example Engagement 2

The London CIV has previously reported on their successful engagement efforts with Shell regarding the company's climate strategy. At the company's 2022 AGM, London CIV voted 'Against' Shell's Energy Transition resolution, citing concerns over insufficient disclosures and misalignment with a 1.5°C target. The Pool informed us they continued to vote in favour of Follow This's<sup>1</sup> resolution supporting Shell to set Paris-aligned targets for all emissions. The Pool then wrote to Shell in October 2022, asking for a response on whether the Board intended to change course to mitigate its climate impact. London CIV expressed a strong belief that their recommendations would offer long-term benefits to Shell. The Pool confirmed that, unfortunately, no response was forthcoming from the company.

London CIV escalated their concerns by publicly endorsing ClientEarth's<sup>2</sup> groundbreaking lawsuit against Shell's board of directors for their mishandling of climate-related risks. In January 2023, London CIV released a letter of support

for ClientEarth's forthcoming shareholder claim, emphasising the Pool's shared concerns with Shell's Energy Transition Strategy and the Board's responsibility to address climate change risks. In May 2023, London CIV reported that its concerns on litigation risk are just a small part of their wider focus on climate change risk. At Shell's 2023 AGM in June, London CIV voted 'Against' to approve Shell's Energy Transition resolution due to continued concerns about the lack of key disclosures and misalignment with a 1.5c target. London CIV supported Follow This voting 'For' its shareholder proposal '2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement'.

In November 2023, London CIV issued a press statement in response to Shell's recent lawsuit against Greenpeace, which emphasised the multifaceted risks posed by climate change and the failure to address climate risks adequately, particularly in sectors like oil and gas, which contribute significantly to emissions.

In December 2023, London CIV joined a group of investors in co-filing a resolution at Shell, led by Follow This aimed at addressing the climate crisis as a whole in 2024.

The Pool reported that they divested Shell from their Global Equity portfolio last year, citing that the position was liquidated because London CIV and the investment manager had lost confidence in the company's renewable energy operations' growth trajectory.

London CIV will continue to engage further with Shell as part of their collaborative engagement efforts with other investors led by Follow This.

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<sup>1</sup> Follow This is a non-profit organisation which empowers shareholders to vote for change by filing AGM resolutions on climate action.

<sup>2</sup> Client Earth is an environmental law charity which brings together lawyers, scientists and policy specialists to hold corporations to account.



## Principle 10

Signatories, where necessary, participate in collaborative engagement to influence issuers.

### Context

As mentioned in Principle 1 – a key part of the Funds governance strategy is to work in collaboration with other counterparties. The Fund sees this collaboration as a tool for objectivity and development and applies the viewpoint that we can learn from others. Collaborative engagement is therefore a key component of the functioning of the Fund to provide value for money for its members.

### Activity

#### London Collective Investment Vehicle (LCIV)

The Fund is a member of the London Collective Investment Vehicle (LCIV). The LCIV pool is made up of the London Boroughs and City of London totalling 32 Shareholders. Officers have attended virtual monthly update meetings held by the LCIV which provide a vital platform through which pooled Funds can engage on a variety of topics and through which the LCIV can provide information and updates. Officers from the Fund also attended the annual LCIV Strategy and Responsible Investment Conference which provides a further engagement platform for

pooled Funds to openly discuss relevant topics. Most recently officers have sat on the Seed Investor Groups for upcoming Private Debt and Natural Capital mandates – helping to inform and shape the creation of these mandates through collaboration with the LCIV and other boroughs across the pool.

The LCIV also participates in collaborative initiatives with other financial institutions and industry bodies to drive outcomes at scale, which in turn better support the member Funds of the pool. These include (but are not limited to):

- **Climate Action 100+** – London CIV are a signatory of the investor initiative helping to drive the necessary corporate action on climate change for a Just Net Zero Transition. Climate Action 100+ now has over 400 investors with over \$35 trillion in assets.
- **Cost Transparency Initiative (CTI)** – The CTI is an independent group tasked by the Financial Conduct Authority (FCA) to deliver a standardised template for cost disclosures. London CIV informed the Fund that 100% of their investment managers report in line with the CTI.

- **Pensions for Purpose** – London CIV are an affiliate member of Pension for Purpose and participate in thought leadership discussions and publications to inform research and share their knowledge on impact investment. In 2023, London CIV collaborated with Pensions for Purpose on Diversity, Equity, and Inclusion, offering valuable insights for a research project exploring asset owner perspectives. Their contributions were well-received, leading to an invitation from Pensions for Purpose to speak at an Asset Owner panel discussing DEI perspectives in 2024.
- **Deforestation-Free Pensions Guidance** – Since 2021, London CIV has been one of the early pension fund group members of the deforestation free pensions guidance working group set up by Global Canopy, Systemiq and Make My Money Matter. The aim of the coalition is to develop practical guidance for pension funds to systematically identify, address, and eliminate deforestation, conversion, and associated human rights abuses from their investments.

## Local Authority Pension Fund Forum (LAPFF)

As aforementioned the Fund is a member of the Local Authority Pension Fund Forum (LAPFF) which is a member-led forum which engages with companies to promote high standards of corporate governance. The forum's membership currently consists of 87 LGPS Funds and 7 pooled companies (including the LCIV) with aggregated assets under management of over £350 billion. The collective voice created by the volume of members and assets under management result in greater leverage and shareholder power to engage with companies to promote good governance. During 2023 the LAPFF engaged with 565 companies across 31 domiciles. Alongside this the LAPFF issues voting alerts to members on areas that it feels need further escalation.

The LAPFF also goes one step further in not only engaging at Board level with companies but also working with communities affected by poor corporate governance. Following engagements with major mining companies on human rights over the past 5 years, in 2022 the LAPFF visited Brazil to

engage with communities affected by the tailings dam collapses in Mariana and Brumadinho. This year the LAPFF published a report detailing its findings to further spread awareness of the importance of corporate stewardship and the role of companies to safeguard the communities within which they operate.

It must be noted that although the Fund is a member of the LAPFF – it has not actively engaged on a specific issue via the LAPFF during 2023. As aforementioned under Principle 9 – the Fund is looking to further its collaborative engagement with the LAPFF in 2024 to better utilise its membership of the forum.

<sup>7</sup> The FCA is the UK regulator for financial services and markets.

## Investment Managers

Although investment management is delegated to the Funds investment managers – the Fund managers can work collaboratively with other stakeholders on engagement issues should they deem it appropriate. This collective engagement work can be seen through the example below:

Since late 2020 the Funds Global Emerging Markets Manager has been coordinating an engagement in collaboration with Climate Action 100+<sup>8</sup> with one of the worlds largest mining companies. The engagement, consisting of 6 institutional investors from Climate Action 100+ had focused on advocating for the company to disclose a mid to long term plan for reducing its carbon emissions and to set net zero emissions targets. Achievements through the engagement include:

- The company producing a clear outline of the roles and responsibilities of the Chairman of the Board and the Sustainable Development Committee
- Reporting has been aligned to TCFD recommendations.
- The companies CDP score on climate disclosure has been raised from C to B

- The company has completed a physical risk analysis and an analysis of the potential increased carbon prices on several climate scenarios.
- Raised awareness across top level management.
- Set mid to long term targets along with a net zero ambition by 2050 (for scopes 1 and 2)

The investment manager continues to work on this engagement noting that there is further work the company can undertake. Recommendations include:

- Release of scope 3 targets.
- Integrating internal carbon prices into investment decisions
- Linking executive remuneration to their new climate targets
- Specifying that new committee members have climate change expertise.

The investment manager will continue to follow up with the company on current progress and future plans.

Officers also attend the London Pension Fund Forum (LPFF) – a forum through which the Fund can discuss engagement issues with other London Boroughs.

## Outcome

Collaborative engagement via membership of the LAPFF provides the Fund greater shareholder influence to engage with companies due to the economy of scale achieved through the pooling of members holdings. The additional benefit of LAPFF membership is that, due to the forum being specific to the LGPS, the members of the forum share common values and objectives.

This economy of scale is also achieved via the Funds pooled assets with the LCIV. The partnerships the LCIV has with various relevant bodies and ESG initiatives provides a large network through which the LCIV can engage with companies on the Funds behalf to drive shareholder value. The LCIV is a member of the LAPFF.

Although investment managers are responsible for day-to-day engagement with companies, officers and Board receive reports and presentations on this engagement work and where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, we expect and encourage our investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes where appropriate.

<sup>8</sup> Climate Action 100+ is an investor-led initiative which works to ensure that the world's largest corporate greenhouse gas emitters take necessary action on climate change.

## Principle 11

### Signatories, where necessary, escalate stewardship activities to influence issuers

#### Context

The Fund looks to influence companies via engagement versus divestment, believing that the Fund can use its leverage as a steward of capital to positively impact corporate behaviour. Were this to prove unsuccessful, the Fund would challenge the investment manager on their decision to continue to hold the company, with an aim for them to divest.

#### Activity

As aforementioned within principles 9 and 10 – day to day engagement and stewardship activities are delegated to the investment managers. The Fund does not operate an overarching escalation policy due to the diversity of investments. Instead, the Fund expects its investment managers and the London CIV to use their specialist knowledge to escalate concerns (including ESG concerns) where appropriate to influence issuers. Fund officers monitor regular reports from investment managers to review the engagement activity being undertaken.

In 2016 the Funds low carbon equity manager LGIM made its Climate Impact Pledge, a programme through which it encourages companies to work towards a low carbon economy and to tackle climate changes issues. LGIM now assesses over 5,000 companies across 20 'climate-critical' sectors.

If engagement via the pledge proves unsuccessful LGIM escalate their concerns via other methods. In 2023 LGIM co-filed shareholder resolutions at Glencore and ExxonMobil due to insufficient progress after years of engagement. LGIM also added two companies to their divestment list (Air China and Cosco Shipping Holdings) following lack of improvement versus minimum expectations.

Fund officers hold regular meetings with investment managers who are also invited to present to Panel and Board, where suitable. From these meetings the Fund can request for escalation of engagement issues if required.

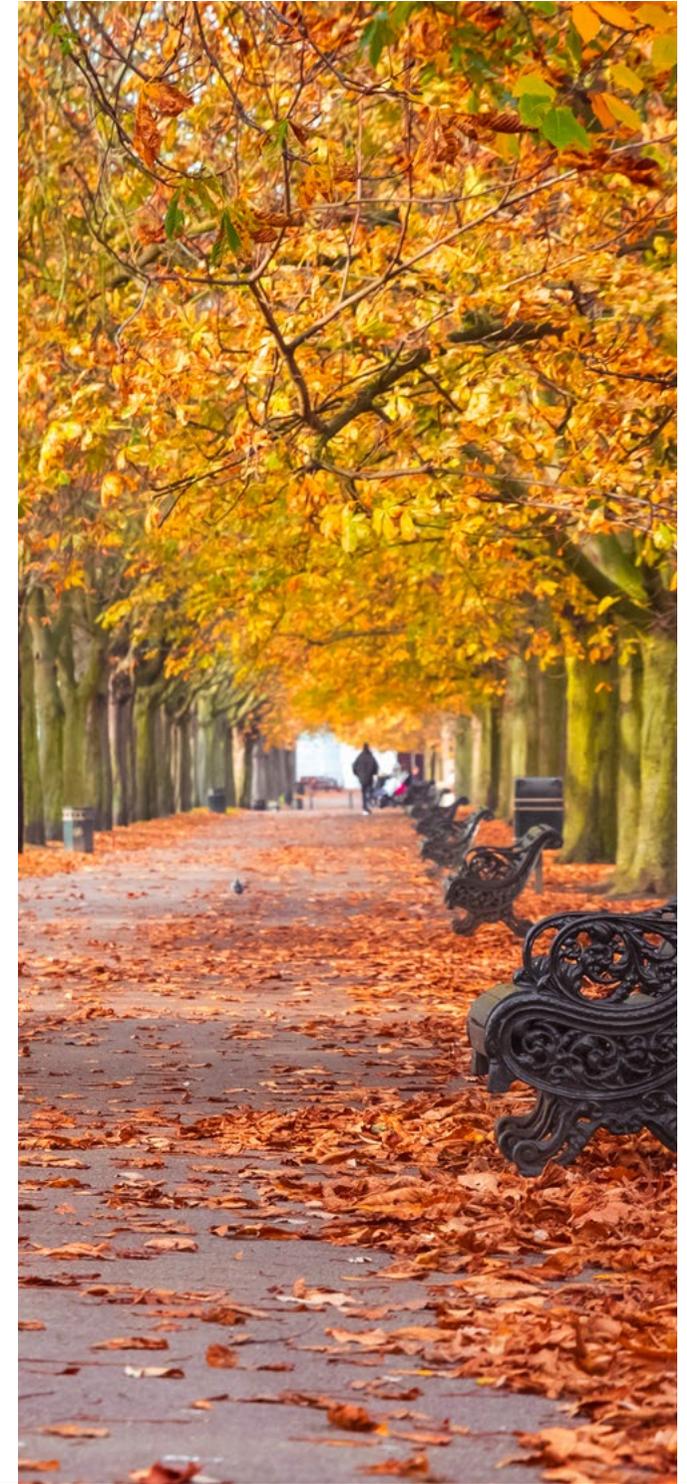
London CIV outlines their escalation approach in their Stewardship Policy. The pool informed us that they prioritise engagement as a first line of action. They acknowledge that one-on-one engagement is not always effective, however they do not see selling holdings as an immediate solution because divestment alone results in losing influence and the opportunity for future dialogue. Therefore, escalation methods remains integral in their engagement strategy. The pool emphasises that there is no uniform approach to escalation, and certain options may be skipped or omitted due to asset class or regulatory constraints.

Where engagement dialogue does prove to be unsuccessful, the pool considers other strategies to influence a company's behavior. Further steps may include:

- Escalating the issue with the investment manager to advocate for the improved outcome by portfolio companies
- Opposing and instructing investment managers to oppose management on key resolutions and/or against the re-election of directors who are responsible for the topic in question (listed equity)
- Attending AGMs to trigger more dialogue with boards and executives (listed equity)
- Filing or co-filing shareholder resolutions in relation to ESG issues of concern (listed equity)
- Submitting one or more nominations for election to Board (listed equity)

- Reducing exposure
- Litigation
- Divestment: London CIV only use this as a last resort when previous persistent engagement activities were unsuccessful

As aforementioned the Fund is also a member of the LAPFF through which it can collaboratively escalate areas of concern further should it feel that a company is not adhering to its stewardship commitments or responding to initial engagement. The LAPFF issues voting alerts on areas it feels need further escalation. As aforementioned, the Fund has not undertaken escalation on engagement stemming from the LAPFF voting alerts during 2023. The Fund intends to work more closely with the LAPFF in 2024 to utilise its membership of the forum more effectively.



## Outcome

The Fund believes that we must be responsible asset owners and therefore ongoing engagement is preferable to divestment. The Fund expects its investment managers and the LCIV to actively engage with companies on areas of risk and concern to protect/increase shareholder value.

The Fund is a member of the LAPFF who engage with companies on various issues, including ESG risks, on behalf of local authority pension funds.

The Fund encourages its investment managers, the LCIV and the LAPFF to utilise various means to influence a company if engagement were proving unsuccessful, these include (but are not limited to) exerting voting rights, submitting nominations for company Boards, making a public statement regarding concerns or expressing concerns during shareholder meetings.

The Fund is mindful that a lack of engagement from companies can serve as a warning that there may be other governance issues and that this may present a risk to the Fund. If all other forms of engagement were exhausted, and the Fund believed the risk of holding a particular company could be detrimental to the Fund, it would then consider divestment.



# Exercising Rights and Responsibilities

ROYAL BOROUGH OF GREENWICH  
PENSION FUND STEWARSHIP REPORT



## Principle 12

### Signatories actively exercise their rights and responsibilities.

#### Context

The Fund recognises the importance of actively exercising the voting rights attached to its investments to ensure that the companies within which it invests operate under the highest standards of governance. The Fund believes it should use its position as owner of capital to help drive real world change in relation to environmental, social and governance issues as well as to promote corporate responsibility. The Fund has a commitment to utilising its voting rights to reflect its belief that this ultimately protects the financial interest of the Fund and its beneficiaries.

#### Activity

##### Voting Guidelines

For pooled mandates the Fund has delegated the exercise of voting rights to its investment managers and expects managers to vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f).

For segregated mandates the Funds Investment Strategy Statement sets out the Funds Voting Intention Guidelines. These are as follows:



	Voting Governance Issues	Action if Negative
CHAIR/CHIEF EXECUTIVE	Role of Chair and Chief Executive should be separate to avoid concentration of power	Vote against Chair/Chief Executive re-appoint as Director.
NON-EXECUTIVE DIRECTORS	Board must have a minimum of 40% non-executive Directors Non-Executive Directors should not hold such a position in a competitor	Vote against appointment of all Executive Directors Vote against re-appointment when up for re-election
DIRECTORS	There should be formal appointments for all Directors	Vote against all Executive Directors
RUMUNERATION COMMITTEE	The Committee should be answerable to the shareholders at the AGM	Vote against acceptance of the accounts. Vote against the reappointment of Chair as Director.
GENERAL	All Directors need to seek re-election at least every three years (by rotation)	Vote against acceptance of accounts.
	There shall be an Audit Committee	Vote against acceptance of accounts.
AUDIT COMMITTEE	The Audit Committee should have a majority of Non-Executive Directors	Vote against acceptance of account
	The Audit Committee shall meet with the Auditors at least once in the year without Executives present.	Vote against acceptance of accounts.
REPORTING AND CONTROLS	The Directors shall report on fraud uncovered that exceed £100,000 and action taken	Vote against acceptance of accounts
THE CADBURY CODE	There shall be no rolling contracts of more than 12 months	Vote against all relevant Directors e-appointments
	There shall be full disclosure of all emoluments received by Directors.	Vote against re-appointment of all Directors
	There shall be transparent disclosure of the basis of performance related payments.	Vote against re-appointment of Chair of Remuneration Committee as a Director.
	The basis of executive share options granted shall be subject of shareholders resolution, be voted upon at least every five years and meet the guidelines of the Inland Revenue and the national Association of Pension Funds.	Vote against acceptance of accounts.
	There shall be full disclosure of share options granted to Directors and the Executive and those exercised in the preceding 12 months.	Vote against all Directors re-appointments.

	Voting Governance Issues	Action if Negative
AUDITORS GENERAL	The Auditors shall not be given or awarded additional work with the company that exceeds 50% in value of the Audit contract.	Vote against all Director Members of Audit Committee. Vote against the re-appointment of Auditors.
	The Board shall contain no former employee of the audit firm	Vote against Directors re-appointment who come into this category.
OTHER MATTERS	The Company shall not make any political or quasi-political donations	Vote against acceptance of accounts. Vote against Chair's re-appointment.
	The Company shall indicate how it ensures equal opportunity is genuinely available.	Seek compliance through written Contract.

## Investment Managers - Reporting

Investment managers are required to provide copies of their voting policies, and these are reviewed by officers and considered as part of the appointment of a manager. Investment managers are asked on an annual basis to provide an update on any changes to their policies.

The managers are also required to report on their voting activity as part of their reporting to the Fund and the Fund expects managers to provide suitable context when reporting on their voting and engagement activities. The Fund expects managers to explain the rationale behind the actions they have taken, the relevance to the Fund, and outcome of engagement activity.

During the year the Funds passive equity manager voted on 73,670 proposals on the Funds behalf, this represents 93.7% of votable proposals. Of these 69,540 were with management and 4,130 were against management as follows:

Votes For	66,010
Votes Against	5,334
Other	2,326

During the year the Funds Low Carbon Equity Manager voted on 16,489 proposals on the Funds behalf, this represents 99.89% of votable proposals as follows<sup>9</sup> :

Resolutions voted with management	13,425	81.42%
Resolutions voted against management	3,011	18.26%
Resolutions abstained from	53	0.32%

The Funds low carbon passive equity manager LGIM has been an advocate for equal voting rights. Voting is an essential right for shareholders and LGIM is a strong proponent of the 'one share, one vote' standard, based on the principle that control of the company should be equal to one's economic interest.

<sup>9</sup> Please note that on 21 June 2023 the Fund moved £237.5m of passive equities to a Low Carbon Passive Equity Fund. The totals above relate to the total votes across both mandates for the period of the year within which the Fund was invested.

– a notion that the Fund fully supports, in order for shareholders to use their influence to drive change. As part of its equal voting rights campaign LGIM has used its voting power to help drive change in this area. Up to the end of May 2023, LGIM voted against 95 companies under the campaign. LGIM has also taken its campaign one step further by investigating the overlap between these votes and those against combined chair/ CEO roles and have established that there is commonality in about one third of cases. LGIM continues its work in this area.

### LCIV

The voting policy of the London CIV is included within its Responsible Investment policy, and we expect the London CIV to take an active approach to voting and engagement. In 2021 Hermes EOS were appointed by the LCIV to assist the Pool in exercising its voting rights in line with the interest of its stakeholders. Hermes also engages with investee companies to enhance the long-term value of partner funds' investments within the Pool.

### LAPFF

The Fund receives climate voting alerts from the LAPFF on issues it feels are of importance to its members including climate targets plans, transition resolutions and lobbying.

## Outcome

The Fund believes that active voting is vital for effective stewardship and protects shareholder value. Voting ensures that the companies within which the Fund invests have strong corporate governance and are equipped to deal with risks and take opportunities posed by climate change – this in turn results in better returns and therefore benefits Fund members in the long-term.

The Fund has a clear set of voting guidelines and requires its investment managers to be transparent in their voting policies and procedures. The Fund receives voting reports from its managers who provide context and rationale behind their voting decisions. The Fund also receives voting alerts from the LAPFF who flag any voting set to take place on areas which they think are of specific interest to their member Funds.

However, the Fund recognises that it needs to do more in 2024 to take further action in relation to its voting review. Although the Fund receives information from its investment managers and pool the Fund does not currently report on this regularly to Panel. In 2024 the Fund intends to undertake an in-depth review as to how it can effectively monitor and report on its voting and how this is presented to Panel and to Fund members.



# Next Steps – Action Plan

ROYAL BOROUGH OF GREENWICH  
PENSION FUND STEWARSHIP REPORT



As mentioned in the introduction to this report the Royal Borough of Greenwich Pension Fund believes that effective stewardship is not a 'tick box' exercise. As asset owners we see stewardship as a key factor in exploring risks and opportunities for the Fund including those posed by ESG related issues.

Below is a list of our intended key next steps on our governance journey:

Net Zero Roadmap	In 2024 the Fund intends to re-review its net zero roadmap in collaboration with its investment advisors to assess what progress has been made to date and where further improvement is needed.
Conflicts of Interest	The Fund intends to undertake a re-review of the current conflict of interest policies in place across its external providers including the LCIV to ensure that their conflicts of interest policies are still fit for purpose and to maintain this review on a regular basis.
Communication with Members	The Fund needs to make improvements in relation to monitoring the effectiveness of its communication with members. It aims to reassess the system for monitoring query resolution and other key performance indicators and put in place a system to report on these accordingly.
Engagement through LAPFF	The Fund intends to undertake a review of how it engages with the work undertaken by the LAPFF and how it can utilise its membership of the forum to use a collective voice to challenge companies and influence best practice.
Voting	The Fund needs to complete further work in relation to monitoring and reporting on voting across its investments. The Fund needs to ensure that it reviews this area to confirm that managers are voting in line with relevant voting policies.
Government Consultation on LGPS Investments	The Fund will continue to consider next steps in light of the Governments consultation on Investments to ensure that asset allocation decisions are made in the best interest of Fund beneficiaries. A review of un-pooled investments against opportunities via the LCIV will be undertaken as we move into 2024.



The Fund will continue to review and define its governance arrangements into 2024 and beyond and is committed to active stewardship to fulfil our purpose of providing pension benefits for our members and their dependents, alongside delivering value for money for the Royal Borough of Greenwich and other employers within the Fund.

For any comments or questions please contact the Fund via the details below - we welcome feedback on our work undertaken thus far.

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