

Responsible Investment Policy of the Royal Borough of Greenwich Pension Fund

1. Introduction and background

The Royal Borough of Greenwich is the Administering Authority for the Royal Borough of Greenwich Pension Fund (“the Fund”). The Fund administers the Local Government Pension Scheme (LGPS) on behalf of around 26,842 members which comprises 67 active employers with 8,789 members actively contributing into the Fund, 8,540 members drawing benefits from the Fund and the remainder with rights to deferred benefits. [Figures as at 31 March 2024.]

The Royal Borough of Greenwich has delegated the responsibility for the administration of the LGPS to The Pension Fund Investment & Administration Panel (“the Panel”). The Panel is the decision-making body for the Fund, which is made up of elected Councillors. It is assisted in its role by a Local Pension Board, made up of representatives of LGPS members and LGPS employing organisations.

Our fiduciary duty is to act in the best financial interests of the Fund’s members by ensuring that the Fund achieves its long-term investment objective of having sufficient assets to meet all pension liabilities as they fall due. Additionally, we aim to maintain employer contribution rates at reasonable levels by achieving positive investment performance. The Investment Strategy Statement details how the Fund’s investment processes meet these objectives. Our aim when setting the investment strategy is to strike an appropriate balance between generating satisfactory long-term returns whilst taking account of market volatility and risk and the nature of the Fund’s liabilities.

2. Responsible Investment

We define Responsible Investment (“RI”) as the integration and consideration of environmental, social and governance (“ESG”) issues into investment processes and stewardship activities.

We recognise that ESG issues represent a material financial risk, which could have a negative impact on the value of the Fund’s investments particularly if the risks are not understood or evaluated properly. We should therefore seek to understand and manage the ESG issues to which the Fund is exposed. We consider ESG issues that are financially material, including issues such as climate change.

This policy sets out the actions we are taking to understand and manage ESG issues for the benefit of Fund members and other stakeholders. The aim is to protect the value of the Fund’s investments from ESG-related risks and to also capitalise on the investment opportunities that ESG issues, such as climate change, may provide.

3. Our RI beliefs and principles

We have agreed the following beliefs and principles as the basis for our RI policy:

- The Fund and its members believe that ESG issues can have a material impact on the long-term risks and returns from the Fund’s investments, and there is an opportunity to positively impact investment returns by taking decisions with a long-term outlook and recognising the significance of ESG-related risks. We will engage with the London CIV, and our investment managers and advisers to understand the nature of these risks and identify investment opportunities which may also arise.

- Both the Fund and its members believe climate change, specifically, presents a financial risk over the Fund's investment time horizon. As an asset owner, the Fund has the ability and duty to support the transition to a low carbon economy.
- We will consider opportunities to make investments with a positive social or environmental impact subject to the risk and return characteristics being acceptable. Investments expected to have a "positive impact" can be considered if they are consistent with the overall objectives of the Fund's investment strategy and our fiduciary duty.
- We believe we have a duty to consider the wider environmental and social impacts of investments. We recognise that investments that contribute to negative environmental and/or social outcomes can present financial risks and therefore expect all investment managers to report on such exposures. We believe that we should generally avoid investing in the most harmful companies and sectors.
- It is the role of the Fund's active managers to carry out the necessary due diligence and take all relevant factors into account for each individual stock selection decision that they take. Whilst we will not place restrictions on active managers in terms of stocks they can hold, we do expect managers to integrate ESG factors into their investment processes and this is taken into account in the Panel's decision-making processes.
- Whilst active managers are expected to take ESG issues in their individual stock selection decisions, it is acknowledged that index-tracking managers will invest in line with the index set out in their mandate. We recognise that the choice of benchmark index is an important consideration for index-tracking mandates, and the selection of that index is a key consideration for the Panel.
- The Fund recognises the London CIV is the primary mechanism through which to implement policy on ESG matters. London CIV is expected to embed ESG and RI considerations throughout their processes, be responsible for engaging with investee companies and issuers on ESG factors and take responsibility for voting (where relevant), disclosing to the Fund on all such activities.
- We will encourage companies and investment managers to improve disclosure of their activity in relation to ESG issues. This will be addressed with managers via the London CIV, through involvement in the London CIV and also through membership of the LAPFF.
- Engagement with underlying companies where the Fund owns shares is the preferred approach to influencing company behaviour. The Fund and its members believe that where engagement is unsuccessful, this can exacerbate the risks faced by the Fund. There should be a process of escalation to hold companies to account with the tools available including divestment.
- We will encourage our investment managers to exercise stewardship and active ownership responsibilities effectively, through voting and engagement activities. This includes using our influence as asset owners to encourage positive behaviour from the managers, working in conjunction with the London CIV where appropriate.
- We will publish this policy and incorporate our RI policies and approach into the way that we engage and communicate with members.
- The views of the Fund's members are important, and the Fund commits to periodically testing these through member surveys. The Fund's approach to responsible investment will take into

account member views, while continuing to invest in a prudent manner and in line with our fiduciary duties.

4. Our approach

We take the following steps to ensure the investment strategy is aligned with our RI beliefs and principles.

Integrating ESG issues into the investment decision-making process

We aim to integrate consideration of ESG issues throughout our investment decision-making process, including setting the investment strategy, and the selection and monitoring of the Fund's investment managers. We are supported in these aims through regular and ongoing input from, and engagement with, our investment advisers and the London CIV.

When looking to appoint a new investment manager or allocate money to a new fund, we will review the manager's RI policy with input from our investment advisers. This review will consider the manager's overall approach RI, including how they integrate ESG issues into their own investment decision-making process, and their approach to stewardship.

We undertake training on a regular basis and this includes training and information sessions on ESG issues, including climate change, and how these could impact the Fund's assets and liabilities.

ESG risk monitoring and assessment

Our processes to monitor and assess ESG-related risks and opportunities include the following:

- Our investment advisers monitor the Fund's managers on an ongoing basis from an ESG perspective. Where available, this includes assigning an 'RI rating' which reflects the commitment of the manager to ESG integration and the practices they apply. We monitor these RI ratings on a quarterly basis.
- These RI ratings are also a key consideration when the Panel is appointing a new investment manager or allocating money to a new fund.
- We ask our investment advisers to highlight opportunities to invest in responsible investment strategies and will give due consideration to any proposals.
- The Fund will analyse the carbon intensity of the assets on an annual basis and consider climate change scenario analysis at least triennially to review potential risks to the funding and investment strategy and consider whether any action is required to mitigate these risks.
- We expect our asset managers to understand our RI beliefs and requirements. We provide our policy to our investment managers and to the London CIV.
- In the event that any investment manager does not meet any of the expectations listed in this policy, Officers will engage with the respective stakeholders to encourage improvements in processes, transparency or activity as required.
- With the support from our investment advisers, we carry out an annual review of the ESG profile of the funds to support identification of areas of potential ESG risk and engagement opportunities.

5. Expectations and monitoring of investment managers, including the London CIV

We require our investment managers to integrate all material financial factors, including ESG issues, into their investment decision-making processes.

We expect our 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 investee companies and markets to which the Fund is exposed.

We expect our investment managers to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors.

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

We expect investment managers to comply with the UK Stewardship Code Principles and expect them to be a signatory to the latest UK Stewardship Code and to the Principles for Responsible Investment (PRI).

Our investment managers have provided copies of their RI policies. The managers are asked on an annual basis to provide an update on any changes to their policies. The managers are also encouraged to report on their engagement activity with companies as part of their regular quarterly reporting. The consideration of ESG factors, along with discussion on current examples, is also an item on the agenda at all meetings between the investment managers and the Panel/Officers.

We monitor this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

The London CIV has developed its own RI policy. We will continue reviewing this policy and engaging with the London CIV to ensure that its strategies and beliefs are still aligned with ours. We will also require the London CIV to monitor the investment managers appointed for their fund range and provide reporting on the engagement activities of those investment managers.

6. Stewardship – voting and engagement

We recognise the importance of our role as stewards of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which our investments reside. This ultimately protects the financial interests of the Fund and its beneficiaries.

We have a commitment to actively exercising ownership rights attached to our investments, reflecting a conviction that responsible asset owners should maintain oversight of the companies they invest in, recognising that the companies' activities impact upon not only their customers and clients but more widely upon their employees and other stakeholders and wider society.

We have delegated the exercise of voting rights to the investment managers on the basis they will exercise this power with the objective of preserving and enhancing long-term shareholder value.

The investment managers have provided copies of their voting policies and these have been reviewed by Officers. The 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. We publish a report of voting activity as part of the Fund's annual report.

We expect the London CIV to take an active approach to voting and engagement and we will monitor its activity in these areas.

We review the stewardship activities on an annual basis with input from the Fund's investment adviser and will engage with managers and the London CIV as required.

We encourage the investment managers to provide suitable context when reporting on their voting and engagement activities, to explain the rationale for the actions they have taken, the relevance to the Fund, and outcome of engagement activity.

The Panel has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. A copy of the Fund's statement of compliance with the Stewardship Code can be found on the Fund's website.

The Fund is proud to remain a signatory to the UK Stewardship Code, following the acceptance of our 2024 Stewardship Report. This continues our commitment, first recognised in 2023, to responsible investment and acting in the best interests of our members. The acceptance of our report demonstrates that the Fund meets high standards in how we manage investments, is open and accountable in its approach and follows recognised best practice. It also reflects how our values and beliefs guide decisions that help protect and grow your pension over the long term. The London CIV is also a signatory to the Stewardship Code.

We believe in collective engagement and the Fund is a member of the Local Authority Pension Fund Forum (LAPFF), through which it collectively exercises a voice across a range of corporate governance issues.

7. Climate change

We consider that significant exposure to high carbon emitting companies and projects within portfolio could pose a material financial risk to the value of the Fund's investments.

We have committed to undertaking a carbon footprint exercise for the Fund to quantify the Fund's current carbon emissions. We will then develop a plan to reduce the Fund's carbon emissions. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Committee's fiduciary duties.

A key consideration in developing this plan, including the setting of any intermediate targets, will be the London CIV's own plans to reduce the carbon exposure of the funds it oversees. As at 30 September 2025, c54% of the Fund's assets sit within the London CIV and this percentage is expected to grow over time.

The Panel agreed to set a net zero of 2040 alongside a commitment to explore options for reaching this target more quickly. This will be considered in more detail as part of the Fund's net zero roadmap which was last updated in September 2024 to assess the effectiveness of the activities undertaken so far and ensure that there is a clear process moving forward.

8. Human Rights

The Pension Fund is committed to integrating human rights considerations into its responsible investment strategy. We will regularly review our investments for alignment with our values, and in

particular to identify whether investee companies conduct their undertakings in a way which supports the protection of human rights globally. In cases where there are concerns about whether that is the case, the Fund will raise the relevant issues with London CIV and with investment managers, the aim being to ensure that those issues are addressed through monitoring and engagement in the same way as the other ESG issues identified in this policy, and also that any financial risks associated with such investments are identified and mitigated (including, where necessary, by abstaining or exiting from investment in the undertakings concerned). The Fund will also work with London CIV and bodies such as the Local Authority Pension Fund Forum (LAPFF) to enhance engagement with a view to promoting positive change.

9. Disclosure and reporting

We recognise that transparency and disclosure is an important aspect of being a responsible investor. In support of this, this RI policy is being made available to members. We will review this policy at least every three years or as required as a result of legislative changes or industry developments.

10. Our Commitment

We recognise that the RB Greenwich Pension Fund's approach to Responsible Investment should continually evolve in response to the changing landscape of Environmental, Social, and Governance issues and broader industry developments. We are dedicated to making ongoing improvements to our approach and the processes that support the implementation of this policy, ensuring it remains relevant and effective. This policy will be reviewed as part of any strategic assessment of the Fund's investment objectives and risk management, or as necessary in response to changing regulations or broader governance issues