INVESTMENT STRATEGY STATEMENT

LONDON BOROUGH OF ISLINGTON PENSION FUND – ~~December 2020~~SEPTEMBER 2023

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1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time-to-time by the Secretary of State.

This ~~investment strategy statement (~~Investment Strategy Statement ("ISS~~)~~") has been designed to be a living document and is an important governance tool for the Fund. This document sets out the investment strategy of the Fund, provides transparency in relation to how the Fund investments are managed, acts as a risk register, and has been designed to be informative but reader focused. This document replaces the Fund's Statement of Investment Principles.

This statement will be reviewed by the Pensions Sub-Committee ('the Committee') at least triennially or more frequently should any significant change occur.

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The Fund, in preparing and reviewing its ISS, will consult with interested stakeholders including, but not limited to, Fund employers, investment managers, advisers to the Fund and other parties that it deems appropriate to consult with.

Myners Principles

Although not specifically referenced in the Regulations, the Committee feels that assessment of compliance with the Myners Principles is a valuable governance tool. A copy of the Fund's Myners Compliance Statement can be found in the Annual Report and Accounts and is attached as Appendix A.

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2. Investment Beliefs and Objectives

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The Committee has adopted policies with the primary objective being to pay members benefits as they fall due and the secondary objective being to achieve the maximum growth of pension fund investments to reduce the burden of employer contributions. The target for real investment returns above CPI is set out in the Fund's Funding Strategy Statement**.**

The Fund has the following investment beliefs which help to inform the investment strategy derived from the decision making process.

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- Funding, investment strategy and contribution rates are linked.
- The strategic asset allocation is the key factor in determining the risk and return profile of the Fund's investments.
- Investing over the long term provides opportunities to improve returns.
- Diversification across asset classes can help to mitigate ~~against~~the impact of adverse market conditions and assist the Fund to produce a smoother return profile due to returns coming from a range of different sources.

- Managing risk is a multi-dimensional and complex task.
- Risk mitigation will be prioritised according to size of potential impact and risks will only be taken where they are expected to be rewarded.

"Environmental Social and Governance (“ESG”) factors increasingly have an impact on investment risk and return outcomes; and a responsible investment policy can lead to new opportunities and to better reputational and financial risk management.

Long term environmental sustainability is an important investment consideration as the world economy adjusts to the 2015 Paris Agreement; this presents long-term risks and opportunities to which the Fund's strategy will respond."

- ~~“Environmental, Social and Governance ((“ESG) issues”) factors can have a materialan impact on long-terminvestment risk and return outcomes and considering these issues is consistent with the fiduciary duty of the. The Committee. In particular, the Fund believes that having a broader perspective with regard to investment policy can improve risk management and lead to new opportunities. The Committee also recognises that long-term sustainability issues, particularly climate change poses a systemic risk with potential long-term investment , present risks and opportunities”. that increasingly may require explicit consideration.~~

3. Investment strategy and the process for ensuring suitability of investments.

As noted above, the Fund’s objective is to pay benefits as they fall due and this requires the build-up of sufficient reserves in advance. The Fund is currently assessed to have a deficit in terms of the reserves needed and so the asset strategy is focused on achieving returns in excess of CPI inflation, without taking undue risk.

The asset strategy, along with an overview of the role each asset plays in achieving the Fund’s objectives is set out in the table below:

Asset class	Allocation %	~~Allowable ranges %~~	Role (s) within the strategy
Equity (developed~~,~~ and emerging ~~and frontier markets~~)	~~46~~45.0	~~+/-6.0~~	-Long term growth in excess of inflation expected -Significant integration of ESG/sustainability factors
~~Private Equity~~	~~4.0~~	~~+/-2.0~~	~~-Additional returns in excess of public equit~~
~~Multi Asset Credit~~	~~5.0~~		~~-Diversification across credit spectrum~~ ~~-higher risk adjusted returns~~ ~~-Liquid instruments~~
Infrastructure~~Property including Social Housing~~	~~25.0~~12.5	~~+/-2.0~~	-Diversification from equity markets -Generates investment income -Returns expected to be inflation-sensitive -Exposure to Illiquidity premium
Private Debt	10.0	~~+/- 2.5~~	-Access to 'credit risk ~~premium.~~ -premium' and Illiquidity premium -Generates cashflows through income and principal payments

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Impact Investments	5.0	-Access broad range of impact opportunities across asset classes -Increase integration of sustainable investments into strategy
Property~~Infrastructure~~	~~10~~20.0	-Diversification from equity markets -Generates investment income -Returns expected to be inflation-sensitive -Exposure to Illiquidity premium
Multi Asset Credit	7.5	-Diversification across credit markets -Income-focused return providing lower volatility than equities
Total	**100.0**	

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The Committee is responsible for the Fund's asset allocation which is primarily determined via a triennial strategy review as part of the valuation process, but is kept under constant review; noting that strategic changes are an evolutionary process.

The triennial review looks at both qualitative and quantitative analysis, covering:

- The required level of return that will mean the Fund can meet its future benefit obligations as they fall due.
- The level of risk that the Fund can tolerate in absolute terms, and in relation to its funding level and deficit.
- An analysis of the ~~order of magnitude~~scale of the various risks facing the ~~is established in order~~Fund so that a priority order for mitigation can be determined.
- The ~~desire~~need for diversification across asset class, region, sector, and type of security.

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4. Risk measurement and management

The Committee assesses risks both qualitatively and quantitatively, with the starting point being the triennial strategy review. ~~-~~Risks are considered, understood and then prioritised accordingly – the Committee evaluates the Fund's risk attribution analysis as part of the investment strategy review following the actuarial valuation, and considers whether this remains appropriate.

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~~A~~a) Investment Risks

Equities – The largest risk that the Fund is running is in relation to its equity holdings. Should equity market conditions deteriorate significantly this will have a negative impact on the funding level. The Fund holds equities in order to provide the necessary returns to ensure that the contributions payable to the Fund ~~remains~~remain affordable. The Committee believes that the extra returns that are expected to be generated by equities compensates the level of risk equities bring to the Fund, but it does believe in diversification~~,~~ and looks to mitigate equity risk by allocating to a range of equity strategies and also investing ~~significantly~~ in other diversifying assets. The Committee ~~will~~has also ~~consider the use of~~considered and implemented equity options where appropriate.

Inflation –The Fund's liabilities are impacted by inflation, both explicitly and implicitly, and the required return on assets is expressed in terms of inflation plus a premium. The Fund will seek to invest in a range of assets that provide returns in excess of inflation, and in some cases provide an inflation-linked income/capital values that are positively correlated with inflation, subject to a tolerable level of volatility.

~~Diversifying assets~~Diversification – The Fund's portfolio is well diversified across asset classes, geographies and asset managers. As different asset classes have varying correlations with other asset classes, the Fund, by investing in a range of different investments, can reduce the overall level of risk it is exposed to.

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The Fund has a significant ~~amount~~proportion of assets allocated to a range of non-equity~~,~~ diversifying assets, with allocations to property, ~~bonds, diversified growth~~multi-asset credit, infrastructure, private debt and a plan to build ~~allocations to real assets such as infrastructure and social housing~~an allocation to 'impact investments' across asset classes. The risks that these investments bring at an individual level are not insignificant but the Committee believes that over the long term these assets will provide returns that compensate for the risks being run. Additionally the level of diversification the assets provide helps to reduce the Fund's reliance on returns from equities. Illiquid assets such as property are also a valuable source of income, which will become increasingly important as the Fund matures and cashflow requirements increase.

Active ~~Manager Risk~~Management – Investment Managers are appointed to manage the Fund's investments on its behalf, a number of which are ~~active managers. Active manager risk is small relative~~actively managed (as opposed to ~~other risks; the Fund still addresses this risk.~~ passively managed). Extensive due diligence is undertaken before managers are selected, with ~~a number of~~several different managers employed in some asset classes to prevent manager concentration risk~~-~~. The investment managers are also monitored regularly by the Committee and by the Fund's Advisors.

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~~The Fund's portfolio is well diversified across asset classes, geography and asset managers. As different asset classes have varying correlations with other asset classes, the Fund by investing in a range of different investments can reduce the overall level of risk run to a degree.~~

~~B~~ b) Demographic Risks

The Fund is subject to a range of demographic risks~~,~~ but, with particular reference to investment strategy, the Committee is aware of the ~~potential for~~expectation the Fund ~~to~~will mature over time as the pensioner liability increases.~~–~~ A mature pension fund is likely to take less investment risk over time and this is considered at each strategy review. The more mature a pension fund, the more likely it is that disinvestments ~~would~~will need to be made to pay benefits. ~~The Fund is~~ (which will require management to ensure disinvestments are not ~~in that situation~~made at ~~present as income from contributions and investments are greater than benefit payments. However, this~~inopportune times or at inopportune moments). This situation is monitored regularly ~~and formally~~ as part of the actuarial valuation and strategy review~~.~~ process.

~~C~~ c) Cashflow Management Risks

The Fund is ~~cash flow positive. However, this position will~~expected to be ~~reviewed regularly and is a factor~~'cashflow negative' in future, meaning that ~~is incorporated into the Fund's investment strategy reviews with the~~all else equal disinvestments may be required to meet regular cash outgo. The long-term aim is that a portfolio of income generating ~~assets~~mandates is built-up ~~over~~

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~~time.~~such that any negative cashflow can be met automatically from asset income, and this has been an important component of recent strategy reviews.

~~D~~ d) Governance Risks

The Committee believes that there is a benefit to the Fund to be gained from good governance structures in the ~~form~~management of ~~either or both of an increased return and/or decreased risk.~~ the Pension Fund. Poor governance can lead to opportunities and risks to be missed, ~~and~~which could have a detrimental effect on the funding level and deficit.

Details of the Fund's governance structure can be found in the Governance Compliance Statement in the Annual Report found via ~~https://www.islington.gov.uk/about-the-council/apply-for-a-job/council-pension-scheme~~https://www.islington.gov.uk/jobs-and-careers/council-pension-scheme/about-the-fund useful documents. The Committee members receive training on a regular basis as a group and attend individual training courses and seminars. Each member must attend the ~~3~~three Day Trustee Training organised by the Local Government Association.

~~E.~~ e) Environmental, Social and Corporate Governance ("ESG") Risks

The Committee believes that ESG (including climate change) risks should be taken into account on an ongoing basis. ESG considerations are an integral part of the Fund's strategy and objective of being a long term investor. The Committee expects its investment managers to include information on how carbon risk is being managed within their respective portfolios as part of regular reporting for the Fund.

The Fund encourages its underlying investment managers to comply with the UK Stewardship Code and will monitor progress~~, as well as~~ in this regard, and will also monitor the ESG ratings of its Fund managers by way of an annual report from its Investment Consultant. The Committee accepts that engagement is key in relation to strong corporate governance, which in turn will reduce ESG risks. ~~on the ESG credentials of its investment managers.~~

The Fund has committed to reduce climate change risk by decarbonising the Fund's portfolio. The Committee expects to continuously review further opportunities, across all asset classes, to reduce the Fund's reliance on carbon sensitive assets by considering the potential financial impacts of both the transition to a low-carbon economy and the physical impacts of different climate outcomes.

The Fund will monitor ESG (including climate change) risks annually and set targets to mitigate these risks. Monitoring will include annual analysis of the carbon footprint of the Fund's portfolio, as well as conducting a periodic scenario analysis based on multiple climate change scenarios ~~ranging from 2ºC to 4ºC~~.

Notably, the Fund has set a target of 'Net Zero' carbon emissions by 2050; further information is set out in Section 6.
~~The Committee accepts that engagement is key in relation to strong corporate governance, which in turn will reduce ESG risks.~~

5. Approach to asset pooling

The Fund has formally joined the London Collective Investment Vehicle ~~(~~("CIV~~)~~") as part of the Government's pooling agenda. The London CIV has been operational ~~for some time~~since 2015 and

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has opened a range of sub-funds covering liquid asset classes and is in the process of ~~opening~~building out a fund range covering less liquid asset classes.

The Fund already invests assets with the London CIV (c. £~~408m~~490m as at ~~September 2020~~31 March 2023 in active sub funds and £~~182m~~397m in ~~passives~~passive funds) and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

The Fund holds a proportion of its assets in life funds and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool. These assets are included in the figure for 'passive' funds stated above.

A proportion of the Fund is held in illiquid assets and these may remain outside of the London CIV pool where there is a strong business case. The cost of exiting these strategies early would have a negative financial impact on the Fund. These will be held as legacy assets until such time as they mature~~ and proceeds~~. Proceeds may be re-~~invest~~invested through the pool assuming it has appropriate strategies available, or ~~until~~ the Fund ~~changes~~may change asset allocation and ~~makes~~make a decision not to reinvest.

The Fund will actively engage and seeks to work collaboratively with ~~likeminded~~like-minded Funds~~,~~ and the London CIV on climate change and ESG topics, including the provision of fund alternatives that will help London CIV members to decarbonise, reduce ESG risks and invest in sustainably themed opportunities in their investment portfolios.

6. Social, environmental and corporate governance policy and policy of the exercise of rights (including voting rights) attaching to investments

The Committee ~~has a fiduciary duty to invest Fund assets in members' best interests and so must ensure~~believes that ~~assets are invested in an appropriate manner; as a result all~~ESG risks can have material ~~ESG considerations, including climate change, must~~financial impacts and should be taken ~~in light of expected risk~~into account on an ongoing basis, and that the Committee should also consider return ~~implications.~~

~~The Fund seeks to fully incorporate ESG (including climate change) risks and~~ opportunities ~~into its~~associated with ESG and sustainable investment. ESG considerations are an integral part of the Fund's strategy and objective of being a long term investor, and are considered as part of each investment strategy review and implementation~~, with a view to further a reduce or remove exposures to carbon dioxide from fossil fuel energy sources and other greenhouse gases and reduce ESG risks of the portfolio in line with stated objectives. In particular the Fund will seek to allocate investment to sustainability-themed investments, as well as uphold high standards of ESG incorporation the Fund.~~ decision.

The Committee believes that the Fund has been a leader within the LGPS in terms of the consideration and management of ESG-related risks and opportunities; this has included setting a 2050 'Net Zero' objective, as part of a broader decarbonisation journey that started in 2016. The Fund also has a formal target to increase exposure to sustainable investments over time, targeting a 20% minimum allocation by 2026. This has so far been achieved through allocations to sustainable equity and renewable energy, and is expected to develop through the implementation of a new 'impact' allocation (5% of total Fund assets).

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With regard to responsible investment the Committee is mindful of the following legal principles, which are based on recent decisions in the courts and which apply to all pension schemes:

a. Administering authorities are free to adopt a policy of responsible investment, provided that they treat the financial interests of all classes of scheme members as paramount and their investment policies are consistent with the standards of care and prudence required by law.

b. Administering authorities are free to avoid certain kinds of investment, which they consider scheme members would regard as objectionable as long as they make equally financial advantageous and prudent investments elsewhere. They may also make "ethical" investments provided these are otherwise justifiable on investment grounds.

c. Administering authorities are not entitled to subordinate the interests of members to ethical or social concerns. The financial performance of the Fund consistent with proper diversification and prudence is paramount.

It is proposed to monitor action by fund managers on a quarterly basis and further develop this policy on an annual basis on the basis of experience.

The Fund has joined the Local Authority Pension Fund Forum ("LAPFF") to promote best practice on corporate governance and SRI issues amongst the companies in which it invests, through cooperative action with other local authority funds. The Forum exists to promote the investment interests of local authority pension funds and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance amongst companies in which they invest.

With more than half of all local authority funds as members, the Forum can negotiate with companies with a single authoritative voice, impossible for smaller funds acting alone. The Forum is developing policy and carrying out research and engagement with companies on many issues, including environmental issues such as the climate change impact of the transport sector, and the impact of oil extraction from tar sands. Other initiatives include engagement with fund managers to try to improve transparency of proxy voting policies by the managers, and on corporate governance issues.

The Committee is a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote better understanding of the implications of climate change amongst its members and other institutional investors. It also aims to promote a lower carbon economy by encouraging the companies and markets in which IIGCC members invest to address their approach to climate change issues.

As ~~noted~~mentioned earlier, the Fund has made a commitment to reduce its exposure to carbon intensive companies and assets~~.~~, as well as tilt the portfolio towards sustainable investment opportunities over time. The Fund previously set targets to reduce absolute potential emissions and carbon intensity (as measured by Weighted Average Carbon Intensity or "WACI"), which covered the period from 2016 to 2022.

The ~~Fund seeks to achieve the~~ following revised targets ~~by May 2022~~were formally adopted by the Committee as a result of analysis completed in 2021:

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~~1) Reducing future emissions by focussing on absolute potential emissions (tons of CO2e), a reserves based measure that focusses on emissions that could be generated if the proven and probable fossil fuel reserves owned by the companies in the portfolio were burned, in the public equity allocation by more than three quarters compared to the exposure at June 2016, the date of the Fund's latest carbon footprinting exercise.~~

1. ~~2) Reducing "exposure to carbon intensive companies" as measured~~Long Term Target: 'Net Zero' absolute emissions by 2050 for the whole investment portfolio

2. Interim absolute emission reduction targets: -49% by 2026 and -60% by 2030 for the listed equity and corporate bond portfolios, using the Fund's 2016 baseline.

***Sustainable investment target: 20% of total Fund assets* by** ~~Weighted Average Carbon Intensity [1], an indicator of current climate-related risks facilitating comparison across asset classes and across industry sectors in the public equity allocation by more than half compared to the exposure at June 2016, the date of the Fund's latest carbon footprinting exercise.~~

3. ~~3) Will invest at least 15% per cent of the Fund in sustainability-themed investment - for example in~~ 2026. This may include investments in sustainable infrastructure, climate change mitigation, low carbon technology, ~~social housing, sustainable infrastructure,~~ energy efficiency and other opportunities.~~-~~

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In order to monitor and guide decarbonisation and the allocation to ~~sustainability~~sustainable investments, the Fund ~~will~~expects to adopt TCFD supplemental guidance for asset owners where applicable.

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The Fund will review targets annually. The Fund will form a view on decarbonisation of all ~~assets~~asset classes beyond public equities ~~by 2022~~and corporate bonds over time, and will develop mechanisms to evaluate the progress. The Fund will also incorporate analysis of scope 3 emissions as and when data availability improves to the extent this information is considered reliable.

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7. Policy of the exercise of rights (including voting rights) attaching to investments and stewardship

Voting:

The Committee takes its responsibilities as a company shareholder seriously and exercises its votes at company AGMs/EGMs wherever practically possible. The Committee uses the Corporate Governance Service provided by Pension Investments Research Consultants (PIRC), and casts votes at all UK, European and North American company AGMs in line with PIRC recommendations unless the Council decides otherwise.

The Fund's investments through the London CIV are covered by the voting policy of the CIV which has been agreed by the Pensions Sectoral Joint Committee. Voting is delegated to the external managers and monitored on a quarterly basis. The CIV will arrange for managers to vote

~~[1] Weighted Average Carbon Intensity (tons CO2e / $M sales). Calculated based on Scope 1 and 2 emissions. Does not relate to the Fund's ownership share and hence serves as an indicator of potential climate-related risks. Importantly facilitates comparison with non-equity assets. FSB Taskforce for Climate-related Disclosures (TCFD) recommended metric for asset owners indicating portfolios exposure to carbon-intensive companies.~~

in accordance with voting alerts issued by the LAPFF as far as practically possible to do so and will hold managers to account where they have not voted in accordance with the LAPFF directions.

~~In addition, voting~~Voting records are published in the year end annual reports and quarterly reports of voting actions are posted on the Fund's website ~~https://www.islington.gov.uk/about-the-council/apply-for-a-job/council-pension-scheme~~https://www.islington.gov.uk/jobs-and-careers/council-pension-scheme/about-the-fund useful documents. The Fund has not issued a separate Statement of Compliance with the Stewardship Code, but fully endorses the principles embedded in the ~~7~~seven Principles of the Stewardship Code.

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The Committee will provide an annual report on how the Fund satisfies its UK Stewardship Code obligations requirements.

Stewardship:

~~The London Borough of Islington Pension~~The Fund wishes to promote a policy of dialogue on responsible investment issues, through the Fund Managers, with company management. In the first instance, the Committee would like environmental issues, human rights, employment standards and modern day slavery to be raised with company management. Environmental issues could include issues such as reducing carbon emissions, conserving energy, promoting alternative energy sources, recycling, avoiding pollution and using environmentally friendly and sustainable resources. Human rights could involve child labour issues in foreign subsidiaries of UK companies or operations in countries with oppressive regimes. Employment standards could relate to equal opportunities, health and safety, trade union recognition and employee participation.

The Fund invests via pooled funds and is therefore prepared to subscribe to the policies of the individual fund managers. When monitoring investment managers, the Pensions Sub- Committee considers whether managers' actions and engagement activities have been appropriate and in keeping with London Borough of Islington Pension Fund policy.

8. Advice Taken

In creating this statement, the Committee has taken advice from its Investment Consultant, Mercer, and an independent Investment Advisor. Also, in relation to each of the constituent parts, such as the asset allocation and risk mitigation, the Fund has taken advice from its Investment Consultant~~, Mercer,~~ and the Scheme Actuary~~, –~~ (also Mercer~~.~~). In providing investment advice, Mercer is regulated by the Financial Conduct Authority.

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APPENDIX A
Myners Investment Principles - Compliance Statement

In accordance with regulation 9A(3A) of the LGPS (Management and Investment of Funds) Regulations 1998, as amended the Council is required to state the extent to which the administering authority comply with the ten principles of investment practice set out in the document published in April 2002 by CIPFA, the Chartered Institute of Public Finance and Accountancy, and called "CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom (Guidance note issue No. 5)"; and give the reasons for not complying where they do not do so. This CIPFA publication is based on ten principles proposed by the Myners review of Institutional Investment in the United Kingdom, and adopted by the Government as a model for best practice in 2001.

The Myners Principles were reviewed by the NAPF during 2008 and a revised set of six principles were issued in October 2008. CIPFA expect to issue a new publication based on the revised six principles in the near future.

Principle 1 - Effective decision-making

- Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation.
- Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Comment

The Fund is generally compliant with the requirements of this Principle. The Pensions Sub-Committee requires new members serving on the Sub-Committee to source appropriate training within six months of joining the Sub-Committee. The three-day course run by the Local Government Pensions Committee of the Local Government Association is recognised as particularly relevant training for new Members, but other routes and courses, and requisite experience are also recognised as appropriate. Where several new Members are appointed together, tailor-made training will be considered.

Principle 2 - Clear Objectives

- Trustees should set out an overall investment objective(s) for the Fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Comment

The Council seeks to undertake regular reviews of investment strategy, most recently in ~~2014~~2023, which took into account the scheme's liabilities, the strength of the employer covenant and the attitude to risk of both the trustees and the sponsor.

Principle 3 - Risk and Liabilities

- In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities.
- These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Comment

In setting the investment strategy, the Trustees have considered the form and structure of liabilities, along with the strength of the sponsor covenant, risk of sponsor default and longevity risk, taking advice from independent professional advisors where appropriate.

Principle 4 - Performance Assessment

- Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers.
- Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Comment

Overall Fund performance and detailed portfolio performance is measured quarterly, annually and over longer periods by external independent measurement specialists BNY Mellon. Performance is also monitored against the local authority peer group of pension funds, also based on old State Street Company data but from 1April 2016 run by PIRC (for the local authority universe), although in line with the Myners Principles the peer group is no longer considered the benchmark for overall fund performance. The overall benchmark is specific and customised to the Fund's objectives based on the outcome of the successive asset/liability studies.

Performance of the Fund is also subject to annual review by external auditors and by internal audit through regular audits programmed into the Audit Plan.

Pension benefits administration performance is reported regularly to Pensions Board

Principle 5 - Responsible Ownership

- Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- A statement of the scheme's policy on responsible ownership should be included in the Investment Strategy Statement Trustees should report periodically to members on the discharge of such responsibilities.

Comment

The Sub-Committee uses the Corporate Governance Service provided by Pension Investments Research Consultants (PIRC), and casts votes at all UK, European and North American company AGMs in line with PIRC recommendations unless the Council decides otherwise.

The Fund encourages each active investment manager to take account of social, environmental and ethical considerations insofar as the manager believes such considerations will benefit performance and/or reduce risk.

For those assets of the Scheme managed in pooled funds, the Trustees accept that the assets are subject to the investment manager's own policy on socially responsible investment. The Trustees are satisfied that this corresponds with its responsibilities to the beneficiaries.

The Fund's attitude to and policies regarding responsible ownership are set out within the body of its Investment Strategy Statement.

The Trustees issue member newsletters in which this discharge of responsibilities is noted.

Mercer has adopted the Institutional Shareholders' Committee Statement of Practice relating to investment consultants.

Principle 6 - Transparency and Reporting

- Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Trustees should provide regular communication to members in the form they consider most appropriate.

Comment

The Council's SIP (and its replacement the Investment Strategy Statement from 1 April 2017) is currently published and available to scheme members on the Council website. Summaries of performance and monitoring of managers are reported in the Pension Fund Annual Report and available to all pensioners and employees each year. Further performance reporting is provided to contributors and pensioners at the AGM. The full Pension Fund Report and Accounts are published as part of the Council's overall Annual Report and Accounts and available to all members of the public.