Bedfordshire Pension Fund Responsible Investment Beliefs

Objective agreed:

To deliver a better, more sustainable investment return over the long-term consistent with funding plans.

Beliefs articulated:

Investment Beliefs

1. The Committee accepts that some investment risk must be taken to generate the returns required to keep the Fund affordable over the long-term. The level of risk taken will depend upon a number of factors including its funding position, market conditions and fiduciary duty.

2. The Fund's primary objective should be key in determining the level of investment risk.

3. Markets are dynamic and asset valuations fluctuate for a number of reasons, creating opportunities for investors. Active management can add value through the performance of active managers which should be assessed over a suitably long investment horizon.

4. Diversification, to an extent, reduces risk and improves stability of returns.

5. The use of illiquid assets can enhance returns through the 'illiquidity premium'.

6. The Fund's overall liquidity and collateral needs should be understood and managed.

7. The use of derivatives offers the ability to mitigate certain investment risks and may have a place in the risk management of the Fund. However, derivatives also introduce other types of risk which themselves must be understood and managed.

8. Management fees can have a material impact on Fund performance.

9. Environmental, social and governance ("ESG") factors can influence the Fund's future outcomes and should be incorporated in investment and stewardship processes. Non-financial factors may be considered as long as the expected return is greater than the actuarial discount rate.

10. The Fund's governance budget is not limitless and should be focussed on the areas that have the greatest impact on outcomes.

11. Local investments (i.e. those in Bedfordshire and neighbouring regions) can deliver environmental and / or social objectives, in addition to primacy of financial returns.

Benefits should be quantifiable and opportunities identified by suitably skilled managers.

12. Pooling of assets offers benefits of scale and expertise. The Fund should facilitate appropriate oversight of the pool to ensure the interests of the Fund are represented.

Responsible Investment Beliefs

13. Businesses with more sustainable practices and more effective management of ESG risks should outperform over the long term.

14. As an asset owner, the Fund can use its influence to improve financial outcomes for the Fund and the real-world economy through its capital allocation and stewardship activity.

15. The Fund has a responsibility to be a proactive steward of capital to improve financial outcomes. The principles of the UK Stewardship Code set high standards for asset owners and service providers, which the Fund (and its investment managers) should uphold.

16. Voting and engagement at company level can be effective in changing corporate behaviour. Investment managers' voting and engagement activities should be monitored and managers held accountable for their decisions. An investment manager's role in the portfolio will be reviewed if the views of the Fund and pooling partners are not effectively represented. Border to Coast should be responsible for framing and implementing a suitable voting policy in relation to shares owned on behalf of partner funds.

17. Sustained and focussed engagement is more effective than divestment in encouraging change. Divestment may be appropriate on the grounds of financial risk.

18. Climate change is considered a material financial risk and the Fund may restrict or exclude investments in companies, or invest in emerging technologies as opportunities arise, to manage financial risk and return over the long term.

19. The Fund should manage climate-related risks in its investments and capitalise on opportunities (e.g. from the transition to a low carbon economy). Investment in climate solutions can support global emissions reduction.

20. The Fund's investment strategy should align with efforts to reduce man-made greenhouse gas emissions to 'net zero' by 2050.

21. Investments can deliver positive environmental or social outcomes, in addition to financial returns.

22. Improved disclosures better informs investment decision-making.

Priority for RI consideration and engagement

The Committee identified the following priorities during 2021/2022:

- Climate change and Biodiversity
- Diversity and Inclusion
- Progress against the United Nations Sustainable Development Goals