

Investment Strategy Statement (July 2023)

1. Introduction and background

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

The ISS has been prepared by the Fund’s Pension Fund Investment & Administration Panel (“the Panel”) having taken advice from the Fund’s investment adviser, Hymans Robertson LLP. The Panel acts on the delegated authority of the Administering Authority.

The ISS, which was approved by the Panel on 24 July 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Panel has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

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

The Fund has chosen to opt-up and be classified as a Professional Client as defined in the Markets in Financial Instruments Directive.

In line with the Competition and Market Authority’s Order, the Panel agreed a set of objectives with Hymans Robertson LLP. These will be reviewed on, at least, an annual basis.

2. The suitability of particular investments and types of investments

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

The Panel aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary and/or inflation increases.

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

It is intended that the Fund’s investment strategy will be reviewed at least every three years following actuarial valuations of the Fund. The approach that the Fund has taken to setting an appropriate investment strategy is set out below.

In June 2023, the Fund carried out an asset liability modelling exercise in conjunction with the 2022 actuarial valuation. A number of different 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).

A summary of the expected returns and volatility for each asset class is included later in this statement.

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

- Suitability given the Fund's level of funding and liability profile;
- The level of expected risk;
- Outlook for asset returns; and
- Environmental, Social and Governance (ESG) factors.

The Panel also monitors the Fund's actual allocation on a regular basis to ensure it does not notably deviate from the target allocation, accepting that given the nature of some of the underlying investments, it may take the Fund time to move to the target allocations.

The Panel reviews the asset allocation at each quarterly meeting. The review is based on the latest published quarterly investment performance report, supported by more up to date information where available. Rebalancing activity is at the discretion of the Panel and is only made between the Fund's liquid assets. Among the factors taken into account by the Panel in its decisions are:

- the materiality of under and overweight positions;
- any asset transitions that are already scheduled;
- market views on the relative attractiveness of different asset classes;
- liquidity and transaction costs; and
- the confidence of the Panel in the managers' ability to meet performance targets, informed by manager ratings provided by the Fund's investment adviser.

3. Strategic asset allocation

Following an asset-liability modelling exercise carried out as at 31 December 2022, the Panel has agreed the following updates to the long-term strategic asset allocation:

- A 5% decrease in the allocation to equities, to 40%;
- Reshape the allocation to illiquid assets by increasing allocations to private debt and infrastructure to 10%;
- These 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%.

The Panel has agreed the following target investment strategy for the Fund. It will be necessary for the Fund to allow time for these arrangements to take effect.

Asset class	Current target allocation (%)	Target allocation (%)
Listed equities	45.0	40.0
Private equity	-	-
Total Growth Assets	45.0	40.0
Multi-asset funds	13.0	5.0
Property	10.0	10.0
Infrastructure	5.0	10.0
Private debt	5.0	10.0
Multi-asset credit	12.0	10.0
Total Diversifying Assets	45.0	45.0
Corporate bonds	5.0	7.5
Government gilts	5.0	7.5
Total Protection Assets	10.0	15.0
Total	100.0	100.0

In setting this target asset allocation the Fund has considered the Funding Strategy Statement to ensure that the investment strategy is compatible with achieving its locally determined solvency target.

The Panel also assessed the merits of investing 5% of Fund assets in private equity. This option will be explored in more detail when a suitable product is made available through the London CIV.

4. Rebalancing policy

A rebalancing policy aims to ensure that the Fund:

- Maintains the desired strategic risk/expected return balance across the assets;
- Maintains the desired allocation between various managers;
- Locks in some of the gains when a particular asset class or manager outperforms relative to the others; and
- Buys into relatively 'cheap' asset classes or managers when they underperform.

A typical rebalancing framework consists of a central target allocation with a rebalancing range for each asset class and/or manager. Where an asset class and/or manager has breached its rebalancing range, assets should ideally be bought or sold in order to bring the breached funds back to their target allocations.

The Fund's allocation to each asset is compared with the target allocations on a quarterly basis. This will allow the process to be operationally simplified with the aim to balance frequent rebalancing with the cost of managing this process. This pragmatic approach would take into account any cashflows and investments/disinvestments made over each quarter and is a long enough period for any volatile movements to be smoothed.

As the Fund will gradually be implementing its new target asset allocation and also transferring investments into the London CIV, specific rebalancing ranges in relation to the new target allocations have not been agreed at this time.

5. Investment of money in a wide variety of investments

Asset classes

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

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

The Fund's long-term strategic target asset allocation helps to inform associated maximum percentage limits for each asset class. In line with the Regulations, the authority's investment strategy does not permit more than 5% of the total value of all investments of fund money to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

Long-term expected returns

The long-term asset class returns assumed within the asset liability modelling exercise were as follows. These returns reflect financial conditions as at 31 December 2022.

Asset class	Median expected return over 17 years (% p.a.)	Illustrative range of expected returns over 17 years (% p.a.)
UK equities	7.7	2.8 – 12.4
Global equities	7.9	3.0 – 12.9
Emerging markets equities	7.8	1.3 – 14.8
Multi-asset funds	5.4	3.7 – 7.4
Property	6.6	2.6 – 10.8
Infrastructure	8.0	3.8 – 12.5
Private debt	9.3	6.6 – 12.0
Multi-asset credit	6.7	5.0 – 8.2
Corporate bonds	6.6	5.4 – 7.9
Government gilts	4.2	3.4 – 5.0

Note: the range of expected returns p.a. is from the 16th to 84th percentile (i.e. takes the central 2/3 of expected returns)

These expected returns are not guaranteed and there is a range of possible outcomes. The median expected returns represent the mid-point of this range while the right-hand column illustrates the potential for variability around this mid-point, for each asset class shown. Note that the ranges capture 2/3rds of projected outcomes only and do not capture some of the more extreme scenarios modelled.

Using UK equities as an example, the median expected return assessed over a 17 year period is 7.7% p.a. At the same time, there is a 16% chance that the return over this period will be lower than 2.8% p.a. and a 16% chance that the return will be higher than 12.4% p.a. In other words, there is a 2/3rds chance that the return from UK equities over the next 17 years will lie in the range 2.4% p.a. to 12.4% p.a.

At 31 December 2022, the expected volatility of the investment strategy was 10.8% p.a. This volatility includes an assumed diversification benefit. In the absence of this diversification, the expected volatility would have increased to 19.1% p.a. Further details on the Fund's risks, including the approach to mitigating risks, is provided in the following section.

Restrictions on investment

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Panel's approach to setting its investment strategy and assessing the suitability of different types of investment takes account of the various risks involved and rebalancing is considered on a quarterly basis to maintain the asset split close to the agreed asset allocation target. Therefore it is not felt necessary to set additional restrictions on investments.

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.

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

6. The approach to risk, including the ways in which risks are to be measured and managed

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

The principal risks affecting the Fund are considered below. The Panel monitors and manages risks in these and other areas through use of a detailed Risk Register process.

Funding risks

Key funding risks considered include:

- Financial mismatch – The risk that Fund assets fail to grow in line with the developing cost of meeting the liabilities.
- Changing demographics – The risk that longevity improves and other demographic factors change, increasing the cost of Fund benefits.

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

The Panel measures and manages financial mismatch in two ways.

The Panel has set a strategic asset allocation benchmark for the Fund, which was set taking into account asset-liability modelling which focused on probability of success and level of downside risk. The results from the 2022 analysis highlighted the Fund has a greater than 75% probability of being fully funded in 2040. The downside risk measure shows that the funding level in the average of the worst 5% of outcomes projected to 2028 is c53%. This analysis reflects the current investment strategy and level of agreed contributions and is based on financial conditions as at 31 December 2022. This analysis will be revisited as part of the 2025 valuation process.

The Panel assesses risk relative to the strategic benchmark by monitoring the Fund’s asset allocation and investment returns relative to the benchmark. The Panel also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

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

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

Asset risks

Key asset risks considered include:

- Market risk – The risk that the market value of the Fund’s assets falls.
- Concentration – The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Fund’s assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance – The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, social and governance (“ESG”) – The risk that ESG related factors reduce the Fund’s ability to generate the long-term returns.
- Climate change – The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.
- Geopolitical risk – The risk of underperformance driven by unexpected changes or events involving political, military or trade factors.

The Panel measures and manages asset risks in a number of ways.

The Fund’s strategic asset allocation benchmark invests in a diversified range of asset classes. The Panel has put in place rebalancing arrangements to ensure the Fund’s “actual allocation” does not deviate substantially from its target. The Fund invests in a range of investment mandates each of which has a defined objective,

performance benchmark and manager process which, taken in aggregate, help reduce the Fund's asset concentration risk. By investing across a range of assets, including liquid quoted equities and bonds, as well as property, the Panel has recognised the need for access to liquidity in the short term.

The Fund invests in a range of overseas markets which provides a diversified approach to currency markets; the Panel also assess the Fund's currency risk during their risk analysis. Details of the Fund's approach to managing ESG risks is set out later in this document.

The Panel has considered the risk of underperformance by any single investment manager and have attempted to reduce this risk by appointing more than one manager and having a significant proportion of the Scheme's assets managed on a passive basis. The Panel assess the Fund's managers' performance on a regular basis, and will take steps, including potentially replacing one or more of their managers, if underperformance persists. Other factors include, but are not limited to, the Panel believing that manager is not capable of achieving these performance objectives in the future, and/or there are significant staff changes to their investment team. The Fund will also have regular correspondence with the London CIV regarding their managers and their approach to monitoring and assessing managers.

Other provider risks

Other provider risks considered include:

- Transition risk – The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Panel seeks suitable professional advice.
- Custody risk – The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default – The possibility of default of a counterparty in meeting its obligations.
- Stock-lending – The possibility of default and loss of economic rights to Fund assets.

The Panel monitors and manages risks in these areas through a process of regular scrutiny of its providers, and audit of the operations it conducts for the Fund, or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds). The Panel has the power to replace a provider should serious concerns exist. Further details of the Fund's approach to pooling and its relationship with the London CIV are provided below.

A separate schedule of risks that the Fund monitors is set out in the Fund's Funding Strategy Statement.

7. Approach to pooling investments, including use of collective investment vehicles and shared services

The Fund is a participating scheme in the London CIV Pool. The proposed structure and basis on which the London CIV Pool ("the Pool") will operate was set out in the July 2016 submission to Government.

Assets to be invested in the London CIV Pool

The Fund's intention is to invest its assets through the Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

- 1 That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
- 2 That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

Any assets not currently invested in the Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money. The next such review will take place no later than 2024.

At the time of preparing this statement the Fund has already invested the following assets via the Pool. Note this includes investments in index-tracking equity funds with BlackRock and LGIM, which are commonly regarded as pooled assets even though they sit outside the Pool.

Asset class	Manager	% of total Fund assets*
UK equities	BlackRock	14%
Global equities	BlackRock ¹	15%
Global equities	BlackRock	10%
Multi-asset funds	London CIV	13%
Private debt	London CIV	4%
Infrastructure	London CIV	1%
Total		57%

*Allocations as at 31 March 2023. Note totals may not sum due to rounding.

At the time of preparing this statement the following assets are not invested via the London CIV Pool. This shows that the Fund holds c17% of its assets in illiquid strategies (diversified private markets assets and property) and these will remain outside of the London CIV pool for the time being. The cost of exiting from some of 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 re-invest through the Pool assuming it has appropriate strategies available or until the Fund changes asset allocation and makes a decision to disinvest.

¹ The Panel has recently selected a replacement fund for this investment, namely the LGIM Future World Global Equity Fund. This change will be reflected in the next ISS.

Asset class	Manager	% of Fund assets*	Reason for not investing via the Pool
Emerging markets equities	Fidelity	8%	Scheduled for review in 2024
Private markets	Partners Group	7%	Illiquid mandate, being wound down
Property	CBRE	10%	Illiquid mandate
Multi-asset credit	Fidelity	10%	Scheduled for review in 2024
Bonds	Fidelity	9%	No equivalent fund available via the Pool at present time
Total		44%	

* Allocations as at 31 March 2023. Note totals may not sum due to rounding.

The Fund will consider participating in pooling arrangements for the current and/or future property investment investments if suitable solutions are made available by the Pool.

Structure and governance of the London CIV Pool

The July 2016 submission to Government of the Pool provided a statement addressing the structure and governance of the Pool, the mechanisms by which the Fund can hold the Pool to account and the services that will be shared or jointly procured. As the Pool develops and the structure and governance of the Pool are fully established the Fund will include this information in future iterations of the ISS. In the meantime, further information is provided on the London CIV's website (<https://londonciv.org.uk/>)

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

The Fund invests on the basis of financial risk and return, having considered a full range of factors, including environmental, social, and corporate governance (ESG) factors where these present financial risks to the delivery of portfolio objectives and therefore impact on the sustainability of the Fund's returns.

The Fund therefore requires its investment managers to integrate all material financial factors, including ESG considerations, into their investment analysis and decision-making for all fund investments.

The Fund's Investment Managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) are also expected 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, including ESG factors. The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

Where appropriate, the Panel considers how it wishes to approach specific ESG factors in the context of its role in asset allocation and investment strategy setting. Taking into account the ratification in October 2016 of the Paris Agreement, the Panel considers that significant exposure to fossil fuel reserves within the Fund's portfolio could pose a material financial risk.

As a result, the Panel has a net zero roadmap that will be used to develop a plan to reduce the Fund's carbon exposure. The plan will be periodically reviewed to ensure that it remains consistent with the risks associated with investment in carbon assets and with the Panel's fiduciary duties.

The Panel has set a target date of 2040 for the Fund to become carbon neutral, consistent with the target date set by the London CIV. The Panel may adjust the pace of the transition in the light of changing financial conditions or technological advances in certain sectors.

The Panel considers exposure to carbon risk in the context of its role in asset allocation and investment strategy setting. Consideration has therefore been given in setting the Fund's Investment Strategy to how this objective can be achieved within a pooled investment structure and the Panel, having taken professional advice, will work with the London CIV to ensure that suitable strategies are made available.

Where necessary, the Fund will also engage with its Investment Managers or the London CIV to address specific areas of carbon risk. The Fund expects its investment managers to integrate financially material ESG factors into their investment analysis and decision making and may engage with managers and the London CIV to ensure that the strategies it invests in remain appropriate for its needs.

The Panel consider the Fund's approach to responsible investment in two key areas:

- **Sustainable investment / ESG factors** – considering the financial impact of environmental, social and governance (ESG) factors (including climate change) on its investments.
- **Stewardship and governance** – acting as responsible and active investors/owners, through considered voting of shares, and engaging with investee company management as part of the investment process.

In light of the latest investment strategy review and the Fund's increased focus and importance of responsible investment, the Fund has bolstered its beliefs in this area, specifically:

- Ongoing engagement is preferable to divestment
- We must act as responsible owners
- The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision-making

More detail on these beliefs can be found in appendix 1.

The Panel takes ESG matters very seriously. Its investment beliefs include explicit statements relating to ESG and climate change. The ESG criteria of its existing investments are assessed on an ongoing basis and ESG is a key consideration when assessing the relative merits of any potential new Fund investments. The Fund also conducts an annual review of its:

- Policies in this area,
- Investment managers' approach to responsible investing; and
- Members' training needs and implements training to reflect these needs.

At the present time the Panel does not take into account non-financial factors when selecting, retaining, or realising its investments. The Panel understand the Fund is not able to exclude investments in order to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries.

The London CIV itself is committed to responsible investment and duly recognises the role of ESG factors in the investment decision making process, evidenced by its own 'responsible investment policy'. The Fund is supportive of this and will monitor the policy on a regular basis as more assets transfer into the pool to ensure

consistency with its own beliefs. Details of the investment managers' governance principles can be found on their websites.

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

Voting rights

The Fund recognises the importance of its role as stewards of capital and the need to ensure the highest standards of governance and promoting 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 has a commitment to actively exercising the ownership rights attached to its investments reflecting the Fund's conviction that responsible asset owners should maintain oversight of the companies in which it ultimately invests recognising that the companies' activities impact upon not only their customers and clients, but more widely upon their employees and other stakeholders and also wider society.

The Panel has delegated the exercise of voting rights to the investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. Accordingly, the Fund's managers have produced written guidelines of their process and practice in this regard. The managers are strongly encouraged 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). The investment managers have all provided copies of their voting policies and these have been reviewed by the officers. The managers are asked on an annual basis to provide an update on any changes to their policies. The Panel monitor the voting decisions made by all its investment managers on a regular basis.

The voting policy of the London CIV is included within its Responsible Investment policy, which is developed in consultation with all of the Pool's partner funds. Hermes EOS are appointed to assist the Pool in exercising its voting rights in line with the interest of its stakeholders and engaging with investee companies to enhance the long-term value of partner funds' investments within the Pool.

Engagement

The Panel has formally agreed to adhere to the Stewardship Code as published by the Financial Reporting Council. The Panel expects any directly appointed investment managers to also comply with the Stewardship Code and this is monitored on an annual basis. A copy of the Fund's statement of compliance with the Stewardship Code can be found on the Fund's website. The London CIV is also a signatory to the Stewardship Code.

The Panel expects any directly appointed fund managers to be signatories to the UK Stewardship Code 2020.

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

The Panel supports engagement activity that seeks to:

- Achieve greater disclosure of information on the ESG-related risks that could affect the value of an investment;
- Achieve transparency of an investment's carbon exposure and how such companies are preparing for the transition to a low carbon economy; and
- Encourage its asset managers to actively participate in collaborative engagements with other investors where this is deemed to be in the best interests of the Fund.

In addition, the Fund expects its investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly.

The Fund through its participation in the London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Chartered Institute of Public Finance (“CIPFA”) Pensions Panel Principles for Investment Decision Making set out the six principles of good investment practice issued by Government (Myners principles). The extent to which the Fund complies is set out in appendix 2.

Further details are set out in the Fund’s Responsible Investment Policy in appendix 1.

Additional Voluntary Contributions (AVCs)

The Fund gives members the opportunity to invest in a range of vehicles at the members' discretion.

Appendix 1 – Responsible Investment Policy of the Royal Borough of Greenwich Pension Fund

The purpose of this policy is to set out our Responsible Investment beliefs and principles, and the approach we are taking to fulfilling our commitments.

Introduction

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 25,893 members which comprises 63 active employers with 8,064 members actively contributing into the Fund, 7,856 members drawing benefits from the Fund and the remainder with rights to deferred benefits. [Figures as at 31 March 2022.]

Within its Constitution, the Royal Borough of Greenwich has delegated responsibility for the administration of the LGPS to a Panel of elected councillors. The Pension Fund Investment & Administration Panel (“the Panel”) is the decision-making body for the Fund. 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 members of the Fund and ensure that the Fund’s objective, as set out in the Investment Strategy Statement, is met. 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.

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 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.

Our RI beliefs and principles

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

- We 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.
- Climate change, specifically, presents a financial risk over the Fund’s investment time horizon. As asset owners, we have 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.

- We believe we have a duty to consider the wider environmental and social impacts of investments. 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. Therefore, we will not place restrictions on active managers in terms of stocks they can hold.
- 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.
- We will encourage companies and investment managers to improve disclosure of their activity in relation to ESG issues. This will be addressed directly with managers, 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 rather than 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.

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.

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 2020 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.

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 London CIV is 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.

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 Panel'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. Currently, c55% of the Fund's assets sit within the London CIV and this percentage is expected to grow over time.

At this stage, we have not set a target timeframe for the Fund to become carbon neutral. This will be considered in more detail as part of the plan to reduce the Fund's carbon emissions.

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.

Appendix 2 – Myners Principles

Principle	Response on Adherence
<p>1 - Effective Decision Making</p> <p>Administering authorities should ensure that:</p> <ul style="list-style-type: none"> • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation. • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>Council has delegated decision making in respect of the Pension Fund to the Pension Fund Investment and Administration Panel. This panel is a subcommittee of Council. It convenes a minimum of four times a year and contains four Greenwich Councillors with full voting rights.</p> <p>Representatives from admitted bodies and the trade unions are able to participate as members of the Panel. The Terms of Reference for the Panel are shown in Appendix 4.</p> <p>Training is undertaken by Trustees at appropriate levels to meet the CIPFA Knowledge and Skills Code. Trustees are remunerated in line with their capacity as Council Members. The sub-committee is supported by an in-house team which monitors day-to-day activities on the fund. The Panel engages its fund managers each year. The Director of Finance is responsible for day-to-day monitoring of the fund and prepares the committee reports.</p> <p>A two-year rolling business plan has been developed and approved by the Panel.</p>
<p>2 - Clear objectives</p> <p>An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administering authority and scheme employers. These should be clearly communicated to advisers and investment managers.</p>	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The investment objectives of the fund are stated in the Investment Strategy Statement. These take into account the scheme's liabilities, the impact on employer contribution rates and the schemes attitude to risk. The asset allocation and benchmarks of the Fund are set with the aim of achieving these objectives and are communicated to investment managers. The Funding Strategy Statement evaluates the effect of the covenant upon employers and the Fund.</p>

<p>3 - Risk and liabilities</p> <ul style="list-style-type: none"> • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The investment strategy aims to achieve the return required to meet current and future liabilities as set out in the actuarial valuation. The strategy also takes into account the requirement to keep employer contribution rates at a stable level.</p> <p>Consideration is given to the payment of a bond by prospective admitted bodies to the Fund, to mitigate against the risk that they may default on their contribution payments.</p> <p>The longevity risk is built into the triennial actuarial valuation and is therefore included when determining the investment strategy.</p> <p>The investment risks and how they are managed are detailed in the ISS.</p>
<p>4 - Performance Assessment</p> <ul style="list-style-type: none"> • Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members. 	<p><i>The Royal Borough of Greenwich Pension Fund complies with this principle.</i></p> <p>The performance of investments and investment managers is monitored on a quarterly basis. An independent performance measurement company provides quarterly reports detailing the performance of the asset allocation and investment managers relative to the benchmarks. The company also provides data detailing the performance of the Royal Borough of Greenwich Pension Fund in relation to its peer group. This data is used for information only and is not considered when developing the investment strategy. A report detailing the performance of the fund is presented quarterly to the Pension Fund Investment and Administration Panel.</p> <p>The Business Plan details how the fund expects to deliver its objectives for the year. The Business Plan also sets out administrative performance targets of when important documents need to be produced.</p> <p>The Annual Report outlines training undertaken, in order to ensure effective decision making.</p>

<p>5 - Responsible Ownership</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> Recognise and ensure that their partners in the investment chain adopt the FRC's UK Stewardship Code Include a statement of their policy on responsible ownership in the Investment Strategy Statement. Report periodically to scheme members on the discharge of such responsibilities. 	<p><i>The Royal Borough of Greenwich Pension Fund complies with this principle.</i></p> <p>The Fund's policies on the exercise of rights (including voting rights) and social, environmental and ethical considerations are included within the Investment Strategy Statement,</p> <p>The Fund complies with the UK Stewardship Code, details of which are in the Fund's Statement of Compliance with the UK Stewardship Code for Institutional Investors. The Fund also expects its investment managers and investment advisor to comply with the Code.</p> <p>The Fund expects its investment managers to engage with companies within their portfolio on social, environmental and ethical issues.</p>
<p>6 - Transparency and Reporting</p> <p>Administering authorities should:</p> <ul style="list-style-type: none"> 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. provide regular communication to scheme members in the form they consider most appropriate. 	<p><i>The Royal Borough of Greenwich Pension Fund fully complies with this principle.</i></p> <p>The Fund publishes annually a Communications Strategy detailing its policy for communicating information to members, representatives of members, prospective members and employing authorities. The Fund also makes available a range of documents including:</p> <ul style="list-style-type: none"> Annual Report, incorporating the Pension Fund Statement of Accounts Investment Strategy Statement Governance Statement Stewardship Code Knowledge and Skills Policy Statement Triennial actuarial valuation Funding Strategy Statement Agenda and Minutes of the Pension Fund Investment and Administration Panel and the Pension Board <p>These documents are published on the internet and hard copies are available on request.</p>

Appendix 3 – Voting intention guidelines

Voting Governance Issues

Action if Negative

CHAIRMAN/CHIEF EXECUTIVE

Role of Chairman and Chief Executive should be separate to avoid undue concentration of power.

Vote against Chairman/ Chief Executive re-appointment as Director.

NON-EXECUTIVE DIRECTORS

2. Board must have a minimum of 40% non-Executive Directors.

Vote against appointment of all Executive Directors.

3. Non-Executive Directors should not hold such a position in a competitor.

Vote against re-appointment when up for re-election.

DIRECTORS

4. There should be formal appointments for all Directors.

Vote against appointment of Directors.

REMUNERATION COMMITTEE

5. The Committee must be composed entirely of independent Non-Executive Directors.

Vote against all Executive Directors.

6. The Committee should be answerable to the shareholders at the AGM.

Vote against acceptance of the accounts.

Vote against the reappointment
of Chairman as a Director.

GENERAL

7. All Directors need to seek re-election at least every three years (by rotation).

Vote against acceptance of
accounts.

AUDIT COMMITTEE

8. There shall be an Audit Committee.

Vote against acceptance of
accounts.

9. The Audit Committee should have a majority of Non-Executive Directors.

Vote against acceptance of
accounts.

10. 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

11. The Directors shall report on frauds uncovered that exceed £100,000 and action taken.

Vote against acceptance of
accounts.

THE CADBURY CODE

12. There shall be no rolling contracts of more than twelve months.

Vote against all relevant Directors'
re-appointments.

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| 13. | There shall be full disclosure of all emoluments received by Directors. | Vote against re-appointment of all Directors. |
| 14. | There shall be transparent disclosure of the basis of performance related payments. | Vote against re-appointment of Chairman of Remuneration Committee as a Director. |
| 15. | The basis of executive share options granted shall be the 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. |
| 16. | 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. |

AUDITORS

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| 17. | 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. |
| 18. | The Board shall contain no former employee of the audit firm. | Vote against Directors re-appointment who come into this category. |

OTHER MATTERS

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| 19. | The Company shall not make any political or quasi political donations. | Vote against acceptance of accounts.
Vote against Chair's re-appointment |
| 20. | The Company shall indicate how it ensures equal opportunity is genuinely available. | Seek compliance through written Contract. |

Appendix 4 – Pension Fund Investment and Administration Panel – Terms of Reference

The (Royal Borough of Greenwich) Pension Fund Investment and Administration Panel is a sub-committee of Council. It convenes a minimum of four times a year and contains four Greenwich Councillors with full voting rights. Representatives from admitted bodies and the trades unions are invited to participate as members of the Panel, but do not have voting rights. The (Royal Borough of Greenwich Council) Pension Fund Investment and Administration Panel has as its general terms of reference:

- To exercise all relevant functions conferred by regulations made under:
 - a) Public Service Pension Act 2013
 - b) Local Government Pension Scheme Regulations (Various)
 - c) Other Relevant Legislation
- To consider and decide all matters regarding the management of the pension fund's investments and to determine the delegation of powers of management of the fund and to set boundaries for the managers' discretion.
- To decide all matters relating to policy and target setting for and monitoring the investment performance of the pension fund
- At least once every three months, to review the investments made by the investment managers and consider the desirability of continuing or terminating the appointment of the investment managers.
- To consider and make recommendations on policy and staff related issues which have an impact on the pension fund directly or indirectly through changes in employer pension contribution rates and through Fund employers' early retirement policies.
- To consider triennial valuation reports prepared by the Fund's actuaries, with recommended employer contributions.
- To receive monitoring reports from the Director of Finance on all matters relevant to the Pension Fund and the Administering Authority's statutory requirements.
- To receive reports from the Pension Board where appropriate