



Merseyside Pension Fund

Responsible Investment Policy

Wirral Metropolitan Borough Council
March 2024

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Contents

Executive Summary and Contents..... 4

Section 1: A long-term Investor with broad Investment exposures..... 5

Section 2: Fiduciary Duty 7

Section 3: Beliefs..... 8

Section 4: The Fund’s Responsible Investment Themes..... 9

Section 5: Working with and through our Partners..... 10

Section 6: Regulatory Engagement..... 12

Section 7: Participation in Industry Bodies to be more effective and promote best practices 13

Section 8: Fund reporting, accountability and Policy review 14

Executive Summary and Contents

The Purpose of this policy is to provide an overview of Merseyside Pension Fund's approach to responsible investment. The management of the Fund is delegated to the Merseyside Pension Fund Committee.

The Fund believes that taking Environmental, Social and Governance (ESG) factors into account is critical to not only fulfilling its fiduciary responsibilities to its scheme members, but in order to be able to take into account both the financial risks and opportunities arising from integrating responsible investment into the way in which the Fund takes decisions and manages its investments.

The sections and areas of focus for the policy are set out in the table below:

Section	Area of Focus
Section 1	The long-term nature of the Fund and its investments in the global economy.
Section 2	The fiduciary duty and responsibility of the Fund.
Section 3	The Fund's responsible investment beliefs.
Section 4	The Fund's responsible investment engagement themes.
Section 5	Working through and in partnership with others.
Section 6	Regulatory engagement and operating within the regulatory framework.
Section 7	Participation in industry bodies to be more effective and promote best practices.
Section 8	Reporting, accountability, transparency and policy review.

Section 1: A long-term Investor with broad investment exposures

Merseyside Pension Fund invests on behalf of local authority employers and employees and other employing bodies and their staff. The Fund operates on behalf of its beneficiaries, seeking to act always in their best interests, which includes in their financial interests. Because the Fund invests to deliver scheme member pensions, the Fund needs to consider and think long term and invest with future decades in mind. In operating in beneficiaries' best interests, the Fund also considers the world into which they will retire.

As an institutional investor with significant assets (£10.4bn as of 31 March 2023), investing across a diversified portfolio, we recognise that we are broadly exposed to the global economy. This means that we cannot avoid exposure to systemic risks and need to consider how those risks may impact both financial returns and investment opportunities. The Committee also recognises that economic activity inevitably operates within the constraints of our planet and its inhabitants. Given the finite global resources and interdependency of economic and human activity these will inevitably shape the economic frame for all of our investments. Companies and other assets that design their economic models in recognition of those constraints and recognise the importance of operating in a sustainable manner are most likely to deliver value over the long-term.

These aspects, the long-term mindset, beneficiaries' best interests, the Fund's broad investment exposure, and the natural constraints on economic activity, mean that we believe it is appropriate to operate with a responsible investment mindset. For the Committee, this means helping to ensure that investment operates conscious of the world around it, both natural and human. It means working to instil a long-term mindset in all our service providers and it means considering how we can deliver positive impacts through our investment approach whilst delivering the financial returns needed to pay pensions.

This policy seeks to set out how in practice we reflect these considerations and seek to deliver on the Fund's broader ambitions and objectives.



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Section 2: Fiduciary Duty

We recognise that while the Fund does not have trustees in the formal sense, the Committee as the governing body of the Pension Fund nevertheless holds fiduciary duties to the Fund's beneficiaries. This means that the Fund has duties of care and will always look to deliver in their best interests.

The Fund does not define fiduciary duties narrowly: this is not merely a duty to maximise financial returns in the short-term. Rather, operating in beneficiaries' best interests means delivering value over the long-term and includes being conscious of the world into which beneficiaries will retire as well as ensuring that they have the retirement incomes that they have been promised. This demands the Committee considers long-term risks and opportunities so that the Fund can protect from downside risks and deliver value in a sense that is meaningful to people.

The Committee believes the risk factors often summarised as Environmental, Social & Governance (ESG) can be material for investments and therefore need to be integrated appropriately into investment approaches and into stewardship. We expect our investment managers to do this as a normal part of their standard investment approaches. This is because these factors will have financial impacts over the time-horizons that matter to the Fund and its beneficiaries.

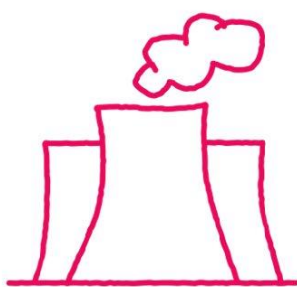


Section 3: Beliefs

Merseyside Pension Fund's Responsible Investment Beliefs	
Belief 1 Climate Change	The Fund acknowledges the climate crisis and recognises the trajectory towards net zero in 2050, to which the Paris Agreement encourages governments and the world economy. This trajectory will inevitably frame our investment approach, but as a long-term economic investor the Fund also has a role in assisting and promoting the climate transition. We will seek to reflect these acknowledgements in our investment and stewardship approaches.
Belief 2 ESG Integration	The Committee supports the UN-linked Principles of Responsible Investment and fully backs the PRI view that Environmental, Social and Governance (ESG) factors should be integrated into investment decision-making and incorporated into stewardship dialogues with investments. We expect our service providers to also be PRI supporters and to carry forward the approaches that this mindset encourages.
Belief 3 Fiduciary Responsibility and Real- World Impact	The Committee recognises that investment does not occur in a vacuum but interacts in multiple ways with the real world, both natural and human. The Committee is conscious of the need to understand those interactions, both good and bad, and to consider how negative impacts might be mitigated. We expect our service providers to do the same. We will also seek out opportunities for investments that generate positive real-world impacts alongside the financial returns that we need to deliver on beneficiary expectations.
Belief 4 Being a Good Steward of Asset	The Fund believes that engagement and good stewardship of assets are key levers through which the Fund can influence investments and their interaction with the real world. The Fund seeks actively to use this lever and expects our service providers to do the same. We are supporters of the UK Stewardship Code and expect our service providers to be so too. The Fund will seek to use engagement and stewardship as a primary lever to influence and bring about change for good but recognises there can be occasions where these mechanisms are not delivering and will follow a process as set out in its engagement framework to determine whether exclusion or divestment is the most appropriate route forwards.
Belief 5 Transparency and Accountability	The Fund believes as responsible asset owner it should be open and transparent in its approach to responsible investment and stewardship. It recognises this is an important area for key stakeholders in the Fund and will communicate regularly on responsible investment activities and actions on the Fund website.

Section 4: The Fund’s Responsible Investment Themes

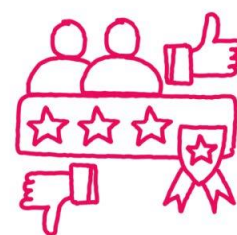
The Committee has identified the following key themes as being of particular importance to the Fund and its beneficiaries:



Climate Change and Biodiversity



Human Rights



Corporate Governance

The Committee have chosen these not because we regard these issues as the only, nor necessarily the most important, ESG factors for our investments – we expect our managers to continue to integrate all factors that are relevant and material into their investment and stewardship approaches, as their obligations to us require them to.

Rather, our choice of themes enables us to make sense of the weight of material on their investment integration and stewardship activities that managers provide to us, and so helps provide us with a firmer basis for holding them to account for the coverage and effectiveness of those activities. The focus that these themes bring also enables us to report more effectively to our beneficiaries on the activities that are most relevant and important to the Fund

Section 5: Working with and through our Partners

The Fund is a member of Northern LGPS local authority investment Pool. The Fund works with its pool partners to deliver efficiencies of scale and so to deliver more effectively for scheme beneficiaries. We are directly involved in the oversight and running of the Pool and so play a role in ensuring that it operates as effectively as possible and delivers on the opportunities that collaboration offers.

The Fund recognises that the delivery of our responsible investment aims and ambitions will be in the hands of both internal and external investment managers and expect them to integrate our responsible investment principles in the investments they make on our behalf as well as being good stewards of the Fund’s capital. We expect our managers to fully take into consideration our chosen themes and our responsible investment beliefs. We also expect them to report to us transparently on these activities and how effective they have been over time. The Fund’s role is then to hold them to account, both for the extent to which it is apparent that they have properly considered the Fund’s chosen themes and its responsible investment beliefs, and how effective their efforts have been. Areas of focus are outlined below:

Area of Focus	
Investment	The Fund will look to see the effective integration of ESG and other long-term risk factors into investment decision-making. We will consider our managers’ processes for investment and the information sources that are available for understanding the risks and opportunities that an individual investment faces. Where the existence of, or scale of exposure to, an investment does not seem to accord with our understanding of the nature or significance of the risks that it faces, we may challenge the investment so that we can understand better the quality of the manager’s integration.
Stewardship	The Fund will look to see that there is a systematic and consistent approach to delivering engagement and voting activities. We will consider the manager’s processes for stewardship and the information sources that are available for understanding the risks and opportunities that an investment faces. We will consider the effectiveness of stewardship activity over time, particularly those activities in relation to our responsible investment themes and our most significant exposures. We may challenge the manager’s approach to gain a deeper understanding of the engagement delivery or where we believe there may be further opportunities for positive progress.
Managers’ Record Keeping	The Fund will also seek to understand the nature of the manager’s record-keeping of its investment and stewardship decision-making and activities, such that it can share information and insights effectively across teams and efficiently over time. This will support a consistency of approach and delivery over longer time horizons –and enable accountability and oversight.

Additionally, the Fund may give active consideration to investment opportunities that offer opportunities for positive impact in the real world. In relation to these investments in particular, we will expect reporting and insight not only into the general indicators on investment and stewardship, but on the impact actually delivered through the investment.

Section 6: Regulatory Engagement

As a broadly-based investor, the Fund recognises the importance of the regulatory framework for our investments.

We recognise the recent and rapid developments to the regulatory environment for corporate reporting in particular and regard these steps as helpful in enabling investors to take decisions that more fully reflect and encompass long-term risks and opportunities.

We seek actively to engage in the development of regulatory standards that promote fuller transparency from our investments, and better standards of corporate governance and practice, and expect our service providers to do the same.



Department for Levelling Up,
Housing & Communities

Section 7: Participation in Industry Bodies to be more effective and promote best practices

We look to extend our effectiveness in delivering all of these responsible investment aims and ambitions, and to promote best practices across the investment community, by active collaboration with other institutions. We consider on a case-by-case basis as to how best collaborations may be effected, whether it is collective action in relation to a single engagement on an individual investment, an organisation of which we are a formal member or informal participant which facilitates ad-hoc cooperation on particular issues, or a more long-lived and broad collaboration seeking change across a market or sector over a period of time. We reflect on the nature of the individual collaborations and consider to what extent our participation is most appropriate in each case, from lending our name as a supporter, to more active and direct involvement in the engagement activity itself.

A key partner for the Fund is the Local Authority Pension Fund Forum (LAPFF) where it has been a long-standing member. By acting alongside other local authority funds the Fund is able to have a greater impact in engaging on ESG matters. The Fund will also continue to consider other avenues to engage effectively.

We also expect our service providers to consider using collaborative vehicles to enable them to be more effective in their efforts.



Section 8: Fund reporting, accountability and Policy review


The Committee acknowledges that it needs to maintain and enhance the trust scheme members have in their pensions, and in us as their pension provider. We are therefore active in reporting about our investments, including about our responsible investment activities in ways that are readily understood by our beneficiaries. As responsible investors, we consider how our investments interact with the real world, and we recognise that this real-world impact helps to bring to life investment for non-specialists. The Fund aims to be transparent, fair and balanced in our reporting so that we can ourselves be held to account for our delivery.

Accepting the need to be held accountable the Fund recognises conflicts of interest may arise in respect of the Fund's responsible investment approach for example with other Fund objectives or individual Committee Member views and will look to identify these and ensure any potential conflicts are recognised and captured.

Communicating and reporting to Fund stakeholders:- the Fund will communicate and regularly report its approach to responsible investment and the actions it takes, publishing key information on the Fund's website, including, but not limited to:

- The Fund's Responsible Investment Policy will be published on its website and will be kept under regular review and updated as required;
- The voting records of the Fund on a quarterly basis
- Reporting annually on its stewardship activities
- The Fund's approach to climate change





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Administering Authority
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