



Responsible Investment Policy

Royal County of Berkshire Pension Fund

2025

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1. Introduction

This policy defines the commitment of the Royal County of Berkshire Pension Fund (the Fund) to Responsible Investment (RI). Its purpose is to detail the approach that the Fund aims to follow in integrating Environmental, Social and Governance (ESG) issues into its investment strategy.

This is consistent with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016¹ (the Regs), Ministry of Housing, Communities & Local Government (MHCLG) – Local Government Pension Scheme: Guidance on Preparing and Maintaining an Investment Strategy Statement (2017)² and the Fund's fiduciary duty to act in the best long-term interest of the Fund's members and employers.

The Policy reflects the Fund's Investment Strategy Statement (ISS)³ and its approach to complying with the UK Stewardship Code.

The scope of this policy is wide reaching and intended to be considered across all of the Fund's investment portfolio.

2. Governance

The Royal Borough of Windsor and Maidenhead as Administering Authority delegates responsibility for the administration and management of the Fund to the Pension Fund Committee. The Committee has overall responsibility for investment strategy, including setting and approving the Responsible Investment Policy. The Local Pension Board assist the Council in its role as Administering Authority in the good governance of the Fund by ensuring compliance with legislation and statutory guidance.

Local Pensions Partnership Investments Limited (LPPI) is responsible for the implementation of investment strategy, including day to day decision-making around the appointment of asset managers, the selection of investment products, and the exercise of ownership responsibilities. As part of that role, LPPI integrates RI into the investment process. LPPI is responsible for 100% of the Fund's assets, comprising mostly pooled investment vehicles⁴, with a smaller non-pooled allocation (also referred to as being 'on balance-sheet').

3. Definitions

Responsible Investment (RI)	The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and active ownership practices in the belief that these factors can have an impact on financial performance. (Based on UN Principles on Responsible Investment)
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¹ <https://www.lgpsregs.org/schemeregs/invregs2016/timeline.php>

² <https://www.gov.uk/government/publications/local-government-pension-scheme-guidance-on-preparing-and-maintaining-an-investment-strategy-statement>

³ https://www.berkshirerpensions.org.uk/sites/default/files/2024-05/bpf_investment_strategy_statement.pdf

⁴ Pooled Investment Vehicles are Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Fiduciary Duty	A core responsibility of trustees or equivalent persons to act in the best interests of the pension scheme beneficiaries in order to ensure that such Fund Members in retirement, or dependants in the case of Member death, can enjoy the expected income benefits. It includes the requirement that all participants should act in good faith, in the best long-term interests of the Fund and its beneficiaries, with loyalty and prudence, and in line with generally prevailing standards of decent behaviour including honesty, impartiality and integrity. In addition, in the context of the Fund, a duty is also owed to employers who effectively fund any deficit. (Based on the Nolan Principles).
Environmental, Social and Governance (ESG)	ESG is an industry wide acronym and refers to environmental, social and corporate governance factors which may impact on company performance and therefore investment returns. Examples of ESG factors are set out in Annex 2 of this policy
Corporate Governance	The system of rules, practices and processes that directs and controls an organisation, ensuring it operates appropriately, efficiently, and in the best interests of its stakeholders.
Active Ownership	Active ownership means using ownership rights to improve corporate behaviour and make investments more sustainable. Where the focus is an investee company the two main routes are engagement and voting at shareholder meetings. Where the focus is other market participants (such as standard setters, industry bodies, or regulators) the route might involve submitting a consultation response or communicating jointly-held views in collaboration with likeminded investors.
Stewardship	The responsible allocation, management and oversight of capital to create long-term sustainable value for clients and beneficiaries. (UK Stewardship Code 2026 of the Financial Reporting Council ⁵)
Net Zero	A global state of balance between the amount of greenhouse gases being emitted into the atmosphere and the amount being absorbed or removed from it. (LPPI Roadmap to Net Zero ⁶)

4. Responsible Investment Context

The Fund is part of the Local Government Pension Scheme (LGPS). It is a Defined Benefit (DB) public sector pension scheme.

To remain affordable, strong and consistent levels of investment income and growth in investments are essential to supplement the contributions to the Fund from employers and active members (contributing employees). Hence, the primary focus of the Fund's investment activities is to achieve appropriate risk-adjusted returns.

There is an underlying fiduciary duty to protect the financial interests of the Fund's beneficiaries which is exercised through the approach to investment and the evaluation of investment risks and opportunities as part of investment stewardship.

⁵ <https://www.frc.org.uk/library/standards-codes-policy/stewardship/uk-stewardship-code/>

⁶

https://www.localpensionspartnership.org.uk/Portals/0/Documents/Responsible%20Investment/Net%20Zero/LPPI_Roadmap_to_net_zero_2022_final_sm.pdf?ver=2022-12-28-142403-530

Where possible and compatible with this, and staying mindful of the Fund's existing funding level, the Fund also wishes to support positive social outcomes both locally and globally. For example, the Fund has non-pooled investment allocation in property/real estate focused on Berkshire.

5. Responsible Investment Approach

The Fund is a long-term investor, committed to safeguarding the pensions of its members and beneficiaries. Our overriding objective is to secure sustainable investment returns in line with our fiduciary responsibilities, while acting as a responsible and informed investor.

The Fund considers its position on “The Bridges Spectrum of Capital” (Annex 1) as that of a “Responsible Investor”, although in practice we may undertake activities that fall into other categories. Our commitment to the integration of material ESG considerations means the Fund is never a “Financial-only” investor.

The Fund recognises that environmental, social and governance (ESG) considerations, including non-financial factors, can impact financial performance. Accordingly, it aims to ensure these considerations are integrated into investment analysis, engagement, and stewardship in a proportionate and pragmatic way.

In practice the Fund's RI policy and those of our partner funds collectively inform LPPI's stewardship standards and implementation activities. The commitments LPPI makes are on behalf of all partner funds and incorporate practice standards such as the UK Stewardship Code, the Principles for Responsible Investment, and the Net Zero Asset Managers initiative.

6. Responsible Investment Beliefs and Principles

The Fund's beliefs and principles reflect the need to deliver sustainable investment returns in order to pay pension benefits, prioritising the need to address the Fund's current funding level whilst also ensuring that employer contributions remain affordable.

These beliefs and principles recognise the importance of assessing sources of risk and opportunity over an extended time horizon and emphasise the importance of diligent stewardship as part of engaged asset ownership.

6.1. Responsible Investment Beliefs

6.1.1. Exclusions and Red Lines

The Fund does not seek to create bespoke exclusions or investment “red lines” beyond the normative standards reflected in LPPI's existing responsible investment policies.

Currently, in accordance with those policies, the Fund avoids investments in:

- Companies involved in the manufacture of *controversial weapons*, in accordance with international treaties and conventions signed by the UK Government.
- *Extractive fossil fuel companies*, specifically excluded from LPPI's Global Equities portfolio following prior agreement between partner funds (including Berkshire).

The Fund reserves the right to review these exclusions periodically in collaboration with our investment manager and partner funds, in light of market conditions and member priorities.

6.1.2. Engagement and Stewardship

The Fund believes in active ownership. Where ESG concerns arise and are addressable, the Fund favours constructive engagement over divestment, using its shareholder rights to influence corporate behaviour. This is achieved through:

- LPPI's stewardship activities, including proxy voting and company-level engagement.
- Participation in collective engagement platforms such as the Local Authority Pension Fund Forum (LAPFF).
- Transparent reporting on engagement outcomes via public committee reports and external partner disclosures.

The Fund expects all investee companies to operate in compliance with legal obligations, and concerns may be escalated where norms are breached or risk reputational harm to the Fund.

Where it is determined that engagement has been unsuccessful in generating the required changes to behaviour, the Fund will seek divestment from the company, in line with section 8.5 of this policy.

6.1.3. Responding to Public Concern

The Fund recognises that Scheme Members, stakeholders, and the wider public may have ethical concerns relating to specific themes, geographies, or industries and wish to raise these with the Fund. While such issues are important, the Fund does not make investment decisions based solely on political or moral grounds. Instead, we assess issues in line with legal obligations, market standards, and our duty to provide pensions.

Any requests or campaigns advocating for disinvestment will be considered through a framework that assesses:

- Materiality of financial impact.
- Alignment with UK regulations and international norms.
- Expectations of stakeholder views, including members, employers and partner funds.
- Feasibility of meaningful engagement to change behaviour (see section 6.1.2 and 8.3)

Our policy seeks to balance social responsibility with financial stewardship in a way that is measured, proportionate, and legally robust.

6.1.4. Conflict Affected and High Risk Areas (CAHRAs)

As a diversified global investor, the Fund has investments in organisations operating in a variety of industrial sectors and geographical locations. The Fund recognises that companies operating in Conflict-Affected and High-Risk Areas (CAHRAs) can face heightened operational, reputational, legal, and financial challenges, which can pose material risks to the value of the Fund's investments and to the Fund's reputation. Where we have material concerns on this front, we will raise them with LPPI and discuss what measures might be appropriate within the specific context and circumstances.

LPPI consider the "Guidance on Responsible Business in Conflict-Affected and High-Risk Areas: A Resource for Companies and Investors" from the UN Global Compact/PRI a helpful reference text in making its investment decisions on behalf of the Fund and its partners in the pool.

In addition to the exclusions outlined in 6.1.1 above, LPPI continually monitor and evaluate emerging issues to identify matters of material concern. For example, LPPI consider whether unfolding geopolitical events indicate enhanced due diligence or other additional measures may be appropriate in response to specific controversies. The approach LPPI follow is part of ordinary investment procedures for allocating and overseeing capital and is detailed within LPPI's Human Rights Annex and position statement on conflict affected areas⁷.

Through its engagement partners, the Fund continues to engage with the companies in which it is invested, as detailed in sections 6.1.2 and 8.3 of this policy, exercising its ownership rights in voting at Shareholder meetings.

As detailed in section 8.5 of this policy, when all engagement activities have failed to generate change in the investee company, the Fund will consider disinvestment.

6.2. Responsible Investment Principles

The following RI principles translate the Fund's beliefs into RI practices which can help to deliver a sustainable and sufficient return on all of the Fund's investments, and inform the stewardship arrangements.

The Fund's Responsible Investment principles are as follows:

- **Principle 1:** The Fund aims to effectively identify and manage financially material ESG risks supporting the requirement to protect returns over the long term.
- **Principle 2:** The Fund engages in active and effective stewardship of the Fund's investments to protect and enhance their value.
- **Principle 3:** The Fund seeks to achieve improvements in both the Fund's approach to RI and the overall portfolio's sustainability by forming effective partnerships and continuously developing and sharing ideas and best practice.

7. Responsible Investment Priorities

Identifying core priorities for RI is an important part of focussing the attention of LPPI on the issues of greatest importance to the Fund. It also helps the Fund to monitor the stewardship activities undertaken by LPPI on its behalf.

ESG issues are important to the Fund for a number of reasons. ESG factors can be financially material and, as such, should be part of the selection, assessment and monitoring of investments in all asset classes, with an overarching goal of achieving resilience to ESG risks at a Whole Portfolio level. Achieving sustainable, long-term financial returns underpins the ability to pay pensions. A focus on ESG issues helps reduce risks to the Fund and its beneficiaries.

Examples of ESG factors considered when identifying the Fund's highest priorities are presented in Annex 2.

The issues identified as being of highest priority to the Fund as asset owners are listed below.

⁷ LPPI Responsible Investment policies: [Responsible Investment Reports and Policies - LPP](#)

7.1. Environment

7.1.1. Climate Change

Climate change is a systemic and financially material investment risk that poses a threat which could negatively impact economic growth, inflation and investment return over the long-term.

Climate change is a critical issue for the Fund because it affects the financial performance of investments, regulatory compliance and the Fund's long-term ability to meet pension obligations.

The Fund recognises the imperative to manage climate change as it poses material risks across all asset classes (with the potential for loss of shareholder value, including via stranded assets⁸), as well as opportunities.

The Fund's approach includes the following:

- The Fund monitors the arrangements LPPI has in place to steward the Fund's portfolio of assets in line with the ambition to achieve Net Zero emissions by 2050. LPPI has made a voluntary commitment to align their investment portfolio with net zero emissions by 2050. As LPPI manages the Funds' investments through their pooled arrangements this supports the Fund in aligning with Net Zero.
- In line with LPPI's Responsible Investment Policy Annex on Climate Change, the Fund will not consider new investments, via the LPPI Global Equities Fund, in fossil fuel companies directly engaged in the extraction of coal, oil and natural gas as sources of energy which are not appropriately addressing the risks of climate change.
- Where existing investments in fossil fuel companies are in place and identified, the Fund expects those companies to be able to demonstrate planning for the global transition to a low-carbon economy. Where they are not, and opportunities for engagement and reform of the company or project (see section 6.1.2) are not possible, the Fund will ask LPPI to make all reasonable efforts to divest (see section 8.5) provided this will result in no material financial detriment to the Fund (either through increased costs, loss of investment returns or increased investment risk).
- The Fund is committed to seeking sustainable investments which include projects that support the global transition to lower carbon products, services and infrastructure including renewable energy generation.

7.1.2. Pollution

Pollution is a term used to describe an imbalance created when harmful materials (pollutants) are introduced into the environment where they cause damage to water, air or land through contamination.

⁸ Stranded assets are those which lose significant economic value before the end of their expected useful life through becoming unproductive.

The Fund recognises the responsibility of investee companies to understand and manage the impact of their operations on the environment and to prevent pollution in preference to addressing its negative outcomes retrospectively. Additionally, companies engaged in unsustainable business operations which cause pollution (or pollution that goes unrectified/unmitigated) face potentially increased financial and business risks (such as litigation) as well as erosion of longer-term value, which could reduce the Fund's financial resilience longer-term.

The Fund expects investee companies to plan for and manage the waste materials from their operations to prevent pollution and control the incidence of accidental contamination. The Fund also expects companies to design products and packaging which minimise, mitigate or avoid plastic pollution in use and/or disposal.

7.1.3. Biodiversity

Biodiversity is a term which describes life on earth in all of its forms, and all of the interactions between biological elements covering plants, animals, insects, and microorganisms. Maintaining diversity is essential for a healthy environment in sustainable balance.

Biodiversity loss has the potential to pose direct financial risk to companies through a negative impact on the availability of natural resources for business purposes, reduced health and productivity of natural capital, and an altered operating environment. This could adversely affect the Fund's investments over the longer-term.

The Fund places an emphasis on engaging to encourage sustainable business practices which support biodiversity and avoid the over-exploitation of natural resources and contribute to a more circular economy (through efforts to reduce waste creation and keep materials capable of re-use within economic circulation through recycling).

7.2. Social

7.2.1. Affordable Housing

Housing affordability has become a deep-seated issue in the UK, contributing to both inequality as well as increased societal tensions. This has been driven by significant rises in house prices over the last 25 years, accentuated by a lack of sufficient new homes being built to meet current demand. Affordable housing looks to improve access to housing for those segments of society with lower levels of income.

Investing in real assets provides the Fund with both return opportunities and elements of risk mitigation, resulting from the (normally) inflation-linked cashflows that the asset class provides. The Fund has the ability to invest in a wide range of assets within the real estate sector, including affordable housing, subject to the overall aim of delivering on the Fund's fiduciary responsibility.

The Fund will consider its approach to investment in suitable affordable housing opportunities as part of its review of local investment.

Through owning real estate (in the capacity of landlord) the Fund's investments will help to provide employment, premises, and wider accommodation to supports the people and the economy of Berkshire.

7.2.2. Local investment

Local investment can help support the local economy and create jobs. The UK government has indicated that local government pension schemes should invest a proportion of their assets into local investment. The Fund will work with the six unitary authorities within the Royal County of Berkshire, and with LPPI, to identify suitable investment opportunities, in line with the Fund's required risk and return profile.

Through LPPI, the Fund has a proportion of its assets invested in The 1957 Fund (also known as 'the Berkshire sleeve'), currently investing only in commercial property located within the Royal County of Berkshire.

The Fund will review this target level of Local Investment and consider expanding the scope of the portfolio to include other asset classes, to ensure it has scope to invest in new local opportunities as and when they arise, provided such projects meet the Fund's investment criteria.

7.3. Governance

7.3.1. Corporate Governance

Good governance is essential to ensuring that companies act in the best interests of their shareholders, manage risks to the business effectively and ensure the sustainability of the enterprise. Strong corporate governance (including corporate structure, board composition, business ethics, tax strategy, and anti-corruption) is aligned with the Fund's portfolio being financially resilient over the long-term.

As a global institutional investor, the Fund recognises that corporate governance standards vary across the world, reflecting cultural and regulatory differences. Therefore, it is impractical to apply the same standard to a globally diverse.

The Fund, through LPPI, supports the case for well managed companies which have fair and transparent tax strategies, promotes fair, just and transparent employment practices, places importance on a diverse and inclusive workforce and considers reasonable and equitable pay differentials for employees (including appropriate living wage, such as the Living Wage Foundation in the UK). This is done through actively seeking to invest in companies who demonstrate such practices and engaging effectively to encourage these standards within existing investee companies.

The Fund's expectations of good corporate governance also include transparency on lobbying activities undertaken by investee companies as assurance of consistency between publicly stated positions (communicated through announcements and corporate documents) and influence employed via other routes including trade bodies, and lobbying.

8. Responsible Investment Implementation and Monitoring

The Pension Fund Committee monitors the stewardship of the Fund's assets and RI activities undertaken by LPPI via quarterly reporting including an RI Dashboard, which provides key data on the portfolio's RI attributes and stewardship activities.

The implementation of the Fund's approach to Responsible Investment divides into

the following six areas of activity and is underpinned by its partnership with LPPI.

8.1. Active Ownership

The Fund does not invest directly but, on behalf of the Fund, LPPI actively seeks sustainable investments which meet the Fund's requirements for strong returns combined with best practice in ESG and corporate governance. Such investments include renewable and clean energy and real estate.

As part of its commitment to Active Ownership LPPI seeks to use the ownership rights conveyed by the assets under its management to exert a positive influence in favour of transparent and sustainable management behaviour which recognises and addresses the broader trends which bring both risks and opportunities to their business.

8.2. Voting Globally

The Fund's stewardship actions are implemented by LPPI.

All aspects of shareholder voting are carried out in line with the LPPI Shareholder Voting Policy⁹. The policy covers areas including voting arrangements, 'reporting and disclosures' and voting philosophy.

8.3. Engagement through Partnerships

The Fund works in partnership with like-minded organisations. The Fund recognises that to gain the attention of investee companies in addressing governance concerns, it needs to join other investors with similar concerns, and it does this through the Local Authority Pension Fund Forum (LAPFF) and by joining appropriate lobbying activities.

In terms of its engagement approach with other investors, it is most significant through LAPFF. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of ESG best practice among the companies in which they invest. See the LAPFF website for further details: www.lapfforum.org.

The Fund is a member of LAPFF and, as such, representatives of the Fund attend and contribute to its quarterly business meetings and conferences.

8.4. Shareholder Litigation

This approach was adopted by the Fund in order to encourage corporate management to behave responsibly and honestly through shareholder litigation. The Fund has arrangements with LPPI which ensure that emerging legal cases are monitored and that the Fund's rights and interests are represented via class actions and other shareholder actions globally where possible and where appropriate.

⁹ [localpensionspartnership.org.uk/Portals/0/Documents/Responsible Investment/LPPI Shareholder Voting Policy.pdf?ver=tEH0KPy0g5_6Y8Tc-pcsIQ%3d%3d](http://localpensionspartnership.org.uk/Portals/0/Documents/Responsible%20Investment/LPPI%20Shareholder%20Voting%20Policy.pdf?ver=tEH0KPy0g5_6Y8Tc-pcsIQ%3d%3d)

8.5. Divestment

The Fund favours constructive engagement over divestment, using its shareholder rights to influence corporate behaviour where appropriate, as described in sections 6.1.2 and 8.3.

Where all other methods have failed, as a last resort, the Fund may ask LPPI to consider divestment from a particular investment or sector due to RI considerations, provided that this would not result in any material financial detriment to the Fund (either through increased costs, loss of investment returns, or increased investment risks), and provided the Fund considers scheme members likely to be supportive.

In practice, the other partner funds in the LPPI pool will need to agree to this course of action.

8.6. Knowledge and Understanding

The Fund recognises that for decisions to be effectively taken in all areas of RI, decision makers must be equipped with the necessary knowledge and understanding to make informed decisions.

The Fund's training framework shall be updated to ensure that its decision makers have access to the appropriate resources to enable them to develop and maintain knowledge and understanding in this key complex area. The updated training framework shall apply to the Pension Fund Committee, the Pension Fund Advisory Panel, the Local Pension Board and senior Pension Fund Officers.

9. Review

This policy will be reviewed and updated at least every three years, aligning with the triennial valuation process, linked to the review of the Fund's Investment Strategy Statement.

It may be updated more frequently, to accommodate changes to regulations or significant developments in ESG frameworks and stewardship standards.

Annex 1

Spectrum of Capital

	Financial-only	Responsible	Sustainable		Impact		Impact-only
	Delivering competitive financial returns						
		Mitigating Environmental, Social and Governance (ESG) risks					
			Pursuing Environmental, Social and Governance opportunities				
				Focusing on measurable high-impact solutions			
Focus:	Limited or no regard for environmental, social or governance (ESG) practices	Mitigate risky ESG practices in order to protect value	Adopt progressive ESG practices that may enhance value	Address societal challenges that generate competitive financial returns for investors	Address societal challenges where returns are as yet unproven	Address societal challenges that require a below-market financial return for investors	Address societal challenges that cannot generate a financial return for investors
Examples:		<ul style="list-style-type: none"> • PE firm integrating ESG risks into investment analysis • Ethically-screened investment fund 	<ul style="list-style-type: none"> • "Best-in-class" SRI fund • Long-only public equity fund using deep integration of ESG to create additional value 	<ul style="list-style-type: none"> • Publicly-listed fund dedicated to renewable energy projects (e.g. a wind farm) • Microfinance structured debt fund (e.g. loans to microfinance banks) 	<ul style="list-style-type: none"> • Social Impact Bonds / Development Impact Bonds 	<ul style="list-style-type: none"> • Fund providing quasi equity or unsecured debt to social enterprises or charities 	

Source: Bridges Fund Management "The Bridges Spectrum of Capital" Nov 2015

Annex 2

Examples of ESG Factors

Environmental	Social	Governance
Animal Welfare	Affordable Housing	Accounting and Audit
Biodiversity	Alcohol	Board Diversity / Structure
Climate Change	Betting / Gaming	Board Independence and Audit Function
Deforestation	Child Labour	Bribery and Corruption
Depletion of Natural Resources	Community Relations	Corporate Governance
Energy Efficiency	Controversial Weapons	Executive Pay
Plastics	Customer Satisfaction	Lobbying and Donations
Pollution	Data Protection	Political Contributions
Waste Management	Diversity	Shareholder Rights
Water Stress	Employee Relations / Wellbeing	Tax Strategy
	Health and Safety	Transparency
	Human Rights	Treatment of Employees
	Local Investment	
	Modern Slavery	
	Tobacco	
	Working Conditions	