

RESPONSIBLE INVESTMENT BELIEFS

London Borough of Merton Pension Fund



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Responsible Investment Beliefs Statement

Alongside the objectives set out in the Fund's Investment Strategy Statement, the Committee believe that:

1. The Fund recognises the primacy of its fiduciary duties but believes that it can still exercise these while investing responsibly and securing the required investment returns to ensure the financial sustainability of the Fund.
2. Responsible Investment issues (including Environmental, Social and Governance factors, and particularly climate risk) can have a material impact on the long-term performance and reputation of the Fund.
3. Climate change and the expected transition to a low carbon economy is an area of significant financial risk and opportunity to the Fund, and therefore the Fund will seek to proactively manage risks and pursue long-term investment opportunities arising from this.
4. The Fund's investment managers and its Pool (the London Collective Investment Vehicle ("LCIV")) should demonstrate their commitment to responsible investment by being signatories to the Principles for Responsible Investment and UK Stewardship Code.
5. The LCIV is a key component of the Fund successfully delivering on its RI objectives and any climate-related targets set. The Fund will actively engage with, and monitor, LCIV and expects it to provide leadership in helping Funds address the potential risks associated with ESG, and particularly climate change.
6. The Fund should ensure that LCIV exercises robust stewardship of its assets, with underlying managers expected to deliver consistent votes (except in limited circumstances) on common company resolutions.
7. The Fund recognises its responsibility to proactively monitor investment managers' integration of ESG analysis, and voting and engagement activities regularly, and hold managers accountable for their decisions.
8. Investment managers are best placed to implement policy on ESG matters. They should embed ESG and RI considerations throughout their processes, be responsible for engaging with investee companies and issuers on ESG factors and take responsibility for voting (where relevant), disclosing to the Fund on all such activities.
9. Responsible ownership of companies benefits long-term asset owners. Companies that manage their business responsibly are expected to outperform companies that do not, over the longer term.
10. The Fund should be aware of, and monitor, financially material ESG-related risks, and issues (including voting and engagement activity) through its investment managers and will continue to receive annual reporting on these areas.

11. Divestment on ESG grounds can be a mechanism for managing ESG risks and should be considered by investment managers (if the mandate allows), if engagement with individual companies proves unsuccessful, or is unlikely to have impact.
12. Appropriate disclosure of the Fund's responsible investment activities is a priority for the Fund to ensure accountability, and the Fund will also seek to collaborate with other institutional investors on RI issues to deliver greater impact than it could achieve individually.
13. The Fund believes that it is necessary and desirable to set a net-zero investment emissions target and will prioritise this activity to ensure a credible plan for delivery is constructed.
14. The Fund is also mindful of the Administering Authority's RI and net-zero commitments and the Committee may seek to align with these as appropriate.