



SOUTH YORKSHIRE PENSIONS AUTHORITY

RESPONSIBLE INVESTMENT POLICY

Corporate governance, responsible investing and shareholder activism

The Authority's primary objective is to ensure that the Fund can meet its pension liabilities. In order to achieve that it has to produce superior financial returns without taking on undue levels of risk whilst operating within the legislative and operational constraints which govern the operation of the Fund.

Capturing the required investment returns involves identifying opportunities that offer greater than normal reward and the Authority believes that businesses that operate to high standards of corporate social responsibility (CSR) have the potential to protect and enhance investment returns. The Authority supports the view that environmental, social and governance best practice should be encouraged so long as the potential for financial return is not reduced or risk isn't increased. It favours companies committed to high standards of CSR and to the principles of sustainable development. The Authority believes that good corporate governance includes the management of the company's impact on society and the environment, as these are increasingly becoming a factor in contributing towards maximising long term shareholder value.

At its simplest corporate governance is about ensuring that the companies in which the Fund invests are using robust and responsible operational processes and policies. Therefore, in order to reach its investment objectives it is reasonable for the Authority to pursue such considerations when making investment decisions.

In order to act at all times in the best long-term interests of all its members the Authority looks to protect and enhance the economic value of the companies in which it invests on their behalf. It believes that there are some overarching principles of corporate governance that apply globally but recognises that practices do vary considerably. It recognises its responsibilities as an investor and has considered how environmental, social and governance issues can be taken into account when managing investment portfolios. The Authority believes that the pursuit of standards of best practice aligns the interest of Fund members with those of fellow shareholders and with society as a whole and, therefore, it will not actively disinvest from companies solely or principally because of social, ethical or environmental reasons. This approach is consistent with that undertaken by other large investors. As responsible institutional investors the Fund seeks to influence companies' governance arrangements, environmental, human rights and other policies by positive use of shareholder power. Selling shares is not an effective tool for delivering change.

Not surprisingly, the Fund regards its voting rights as an asset and uses them carefully. The Authority has established a set of voting guidelines which cover corporate governance issues and has engaged a third party service provider to ensure that its votes are executed in accordance with its policies. Its voting record is published on the Fund's website. The Authority reviews its voting guidelines and shareholder engagement policies annually.

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The Fund has limited resources and recognises that it is not always possible for it to conduct constructive engagement alone: therefore, it will enter into collaboration with other like-minded investors when the occasion warrants doing so and circumstances allow. The Authority is an active member and supporter of the Local Authority Pension Fund Forum and encourages LAPFF in its campaigns and initiatives.

The Authority is supportive of the UK Stewardship Code and endorses the 'comply or explain' approach it follows. The Authority believes it complies with the majority of the recommendations of the Code.

Considerations such as these have led the Authority to develop a policy that revolves around using its shareholder power and influence, either singly or in collaboration with other like-minded institutional investors, by voting and using other contacts to positively influence company behaviour. It acknowledges the arguments occasionally put forward by special interest groups on specific ESG issues but it will not allow such considerations to detract it from undertaking its statutory and fiduciary duties. This approach does not prevent the Authority from applying social, environmental or governance criteria on a case by case basis if considered appropriate.

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