Government of JERSEY

PEPF Public Employees Pension Fund

Responsible Investment Policy

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1. Introduction

The Committee of Management (“Committee”) is responsible for managing the assets of the Public Employees Pension Fund (PEPF) (“the Scheme”) in accordance with the relevant regulations set out in the Scheme management section of the Statement of Investment Principles (“SIP”).

The Committee recognises that as investors it is important to manage risk within the Scheme, with a robust risk monitoring framework implemented across the Scheme investments and a policy of high engagement with the Scheme’s underlying managers. As part of the Committee’s overall risk management policy the Committee recognises that environmental, social, and corporate governance (“ESG”) factors may have a material impact on investment risk and return outcomes, and as such should be monitored and managed appropriately. Responsible Investment is therefore considered an intrinsic part of good governance and risk management, ultimately improving the fund’s long term performance, whilst also minimising the risk of volatility related to legislative actions or similar external influences.

When considering the impact of ESG factors the Committee accepted the guidance of its Investment Adviser to adopt a policy of “measure, monitor and engage” for the Scheme’s investments. This policy document sets out the responsible investment policies of the Committee.

2. Responsible Investment Principles

The Committee believes that ESG factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. Stewardship in this regard is the responsible oversight of capital that is allocated on behalf of the Scheme in order to generate sustainable benefits for the economy, the environment and society. The Committee also recognise that long-term sustainability issues, particularly climate change, present risks as well as opportunities that increasingly may require explicit consideration.

The Committee has taken into account the manner in which the Scheme’s assets are invested, the legal obligations of the Committee and the return requirements of the Scheme when determining how to integrate these issues into the investment decision making process.

The Committee does not take into account “non-financial matters” when considering the selection, retention and realisation of assets. For this purpose “non-financial matters” means the views of the members and beneficiaries, including their ethical views and views in relation to social and environmental impact and their present and future quality of life.

3. Responsible Investment Approach

The Committee recognises the importance of risk management within the Scheme’s investment strategy, with ESG factors (including climate change) taken into account as part of the overall risk monitoring framework in place.

The Committee takes the following steps to “measure, monitor and engage” on ESG related risk and opportunities:

- A large portion of the Scheme’s assets are invested in pooled investment vehicles, consequently the assets are subject to the investment manager’s policies on corporate governance and ESG. The Committee is comfortable with the approach of the Scheme’s managers and has given the investment managers full discretion when evaluating ESG issues within the pooled funds in which the Scheme invests. In addition, the Committee has given the investment managers of the Funds full discretion in exercising voting rights and stewardship obligations relating to the investments held within those funds.

- The Committee does however, as a large investor, have a policy of high engagement with the Scheme’s investment managers. The Committee will use its engagement with the managers to understand and monitor their responsible investment approach, and where it is felt that it does not follow best practice, the Committee will engage with the investment manager.

- To this end, as part of ongoing monitoring of the Committee’s investment managers, the Committee will use ESG ratings information provided by its Investment Adviser, where relevant and available, to monitor the level of the investment managers' integration of ESG on a quarterly basis.

- In addition to quarterly monitoring, the Committee may periodically carry out peer comparison of the level of ESG integration within the investment managers’ portfolios versus managers who run similar investment strategies. This peer comparison will use ESG ratings provided by the Investment Adviser and will allow the Committee to measure the Scheme’s managers versus the available universe and engage with the manager on their ESG integration where this is found to lag peers.

- The Committee will also monitor how the Scheme’s managers integrate ESG into their investment decision-making process when presenting at manager review days, asking the managers to provide specific examples in each case.

- The Committee recognises that climate risk, and the transition to a low carbon economy, poses both risk and opportunity for the Scheme. The Committee carries out periodic review of the Scheme’s exposure to climate risk with the level of exposure monitored over time (the first such review took place in 2021). The Committee uses this information when engaging with the Scheme’s managers as part of wider risk management discussions.

- The Committee believes a policy of engagement rather than divestment is appropriate when considering the impact of climate risk on the Scheme’s investments. This ensures a balanced portfolio for the Scheme.

- The Committee recognises that there are some strategies used by the Scheme today, and may be used in future, where responsible investment beliefs are difficult to impose or may have a detrimental impact on the investment strategy. The Committee takes into account the overall requirements of the Scheme (including ESG) when determining whether the strategies are appropriate.

4. Stewardship

The Committee believes that good stewardship can enhance long-term portfolio performance, and is therefore in the best interests of the Scheme's beneficiaries. The Committee therefore expects the investment managers, where applicable, to exercise voting rights and stewardship obligations attached to the investments in accordance with its own corporate governance policies and current best practice, including the UK Corporate Governance Code and 2020 UK Stewardship Code published by the Financial Reporting Council.

The Committee, starting in 2023, will periodically review the investment manager's stewardship activities, including voting and engagement (where applicable). This information will then be used as part of the overall risk management framework when engaging with the Scheme's managers.

5. Disclosure and Reporting

The Committee requires transparency and disclosure from its investment managers, including reporting on voting and engagement progress and success.

6. Commitment

The Committee acknowledges that its approach to responsible investment will need to continually evolve, both due to the changing landscape with respect to ESG issues as well as broader industry developments. The Committee is committed to making ongoing improvements to the Scheme's approach and the processes that underpin the delivery of this policy to ensure it remains up to date and relevant.

As part of this, the Committee will continually review best practice amongst other large institutional investors, to ensure its policies and approach remain appropriate.

This policy will be reviewed on an annual basis or in response to a significant change in strategy. This policy was last reviewed in 2023.

This policy is available to the public and is published on the website:

Statement of Investment Principles

April 2023