Stewardship is at the heart of what we do. We take care to ensure your pension is invested responsibly for the long term.

Serving our members means we need to navigate long-term systemic risks that challenge society and can or will cause major social impacts. Systemic risks range from well-known issues like climate change to issues like biodiversity loss and the impacts of antimicrobial resistance, artificial intelligence and conflict, either at the local, regional or national level.

As an investor, we cannot address all these issues, but we have a much better chance of driving change if we work collaboratively and in partnership with other investors, industry and civil society.

Frequently asked questions

Why does responsible investment matter?

The Pensions Board operates to the fiduciary duties set out in legislation and regulation, including considering the financial, non-financial and systemic risks (including climate change) to our ability to pay pensions.

For example, we know through climate scenario analysis and stress testing that a delayed and disorderly climate transition negatively impacts our investments.

All our asset managers need to be aware of and have the capacity to act on environmental, social and governance risks, so it is part of the everyday business of selecting investments, and not a separate cost. To ignore environmental, social and governance risks is to disadvantage significantly our chances of achieving the best possible long-term risk-adjusted returns.

We believe investing responsibly is integral to our aim of achieving a long-term sustainable return on the Board's investments. Our trustees keep this continually under review.

Why is the Pensions Board committed to 'impactful stewardship'?

Because it's in our members' interests, is consistent with our ethical approach to investing and is ultimately about driving positive outcomes to societies and the environment, on which our investments depend.

Using our voice and influence

At its heart, stewardship describes the tools that help us influence companies and managers in our portfolio. These include exercising our voting rights, challenging companies to improve and influencing the wider financial ecosystem to improve its approach to sustainability.

Escalation

Our aim is to drive outcomes in the real economy and we're willing to escalate our concerns from engagement and voting to direct interaction with boards, and ultimately disinvestment. In 2022, after several unsuccessful attempts to file a shareholder resolution on climate lobbying at VW, we began court proceedings in Germany seeking to ensure minority shareholders have the right to table resolutions.

Do you have a specific goal for your stewardship strategy?

Yes, to improve the risk-adjusted return of our investments with a suitably long-term time horizon, and to ensure that through our investments we are not harming people or planet.

The Board takes a high-level perspective often referred to as 'systemic stewardship' which recognises that systemic risks to the global economy, like climate change and biodiversity loss, will have an impact on our portfolio over the long term. Because of this we have an interest in working to address these huge challenges for our members.

Though these are challenging topics, their importance and our position in the investment chain as an asset owner means that we have an opportunity to set the agenda.

Is stewardship effective?

It can be, though we should be very wary of 'greenwashing'. It is clear that companies have changed certain policies and practices as a result of stewardship.

Change in the mining sector

A significant proportion (70% by market capitalisation) of the sector has committed to or is reviewing (with a view to commitment) the Global Industry Standard, which we co-created with the UN Environment Programme and industry. This involves committing to make new disclosures and to audit best practices.

We are also working with these independent global partners to build an institute overseeing audit process, giving investors and stakeholders confidence that best practice is applied and improvements are made.

In addition, substantial changes have been made at the company level. For example, one portfolio company announced $500m of planned works to ensure the safety of its tailings facility, securing its future.

How do I find out more about how my pension is invested?

Investments for the CEFPS, CWPF and CAPF DB are pooled and invested in our common investment fund. Pooling allows the smaller schemes to access economies of scale and investment opportunities that might not otherwise be available. To find out more please look at our stewardship report below.

Defined Contribution Scheme funds (whether for clergy AVCs or for the CAPF DC) are invested with Legal & General. The responsible investment characteristics of these funds are reported separately by LGIM. We review the fund selection for DC members on a regular basis, and in 2022 used member perspectives on responsible investment to inform our review of the funds on offer. More information is provided in the schemes' Implementation Statements in our annual reports (Clergy and CAPF DC).

Find out more

Stewardship report

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Investment

Find out more about our investments, engagement and governance

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