

Arts Council Retirement Plan (1994)

Responsible Investment (RI) Policy



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Retirement Plan
(1994)



1. Introduction

The Trustees of the Arts Council Retirement Plan (1994) (“the Plan”) recognise that environmental, social and governance (ESG) factors can have a material impact on long-term investment risk and return. Responsible Investment (RI) is therefore an important component of the Trustees’ fiduciary duty and forms part of the framework through which the Trustees seek to protect and enhance members’ benefits over the long term.

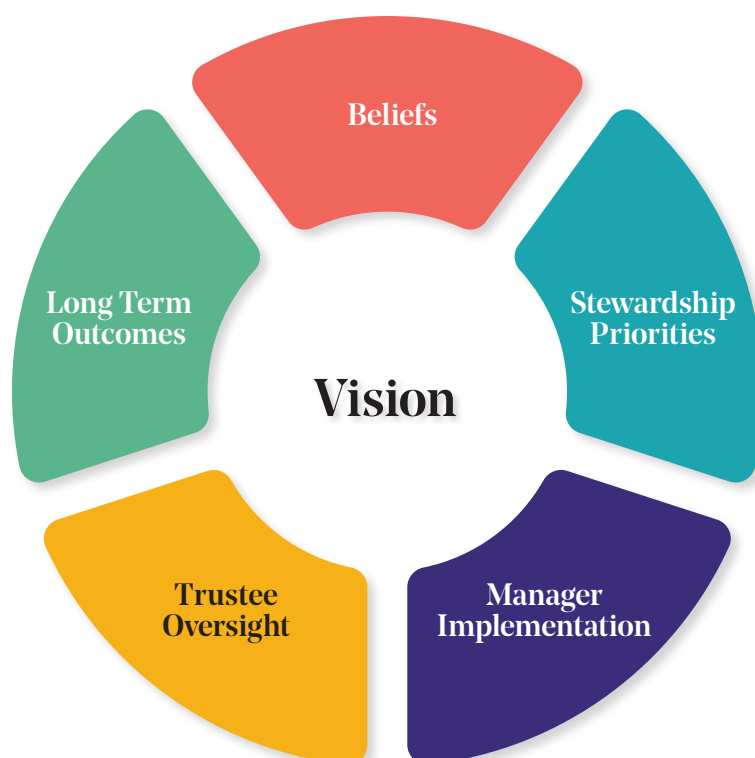
The Trustees believe that responsible investment is not separate from good investment practice. It should be integrated into how investment decisions are made, how investment managers are selected and monitored, and how stewardship activities are overseen. The Trustees also recognise that environmental and societal change creates both investment risks and opportunities and that effective stewardship can improve long-term outcomes for members and wider stakeholders, including participating employers and the wider economy, society and environment, on which members are ultimately dependent.

The Trustees’ long-term ambition is reflected in their Vision for a Responsibly Invested Strategy:

“To invest in a manner where sustainability issues are not just considered as part of what managers do, but so that the invested assets contribute positively to a more sustainable future.”

To support the delivery of this Vision, outlined in section 3, the Trustees have established a responsible investment framework that guides how responsible investment and stewardship are implemented across the Plan.

The framework begins with the Trustees’ Responsible Investment Beliefs, which set out the principles underpinning their approach to responsible investment, stewardship and long-term value creation. These beliefs inform the Trustees’ stewardship priorities, manager oversight activities and wider governance arrangements. Through ongoing engagement with investment managers, monitoring and reporting, the Trustees seek to ensure that responsible investment considerations remain embedded within the Plan’s investment arrangements and continue to support the delivery of long-term outcomes for members. An overview of the framework is provided in [Appendix 1](#).



2. Responsible Investment Governance

Stakeholders

The following stakeholders are responsible for the development, implementation and oversight of this policy and the actions it requires:

- **Trustees:** The Trustees, chaired by an Professional Pension Trustee, are accountable for the Plan's investment strategy and its implementation, including the integration of responsible investment considerations. The Trustees' Statement of Investment Principles ("SIP") sets out the high-level principles that govern the approach to investing the Plan's assets. The Trustees retain ultimate responsibility for the responsible investment and stewardship activities of the Plan and are supported by external advisors and investment managers. Although day-to-day investment management, voting and company engagement activities are delegated to external investment managers, the Trustees remain accountable for ensuring that these activities are undertaken in a manner consistent with the Plan's objectives and beliefs. The Trustees are the ultimate owners of this RI Policy.
- **Investment Sub-Committee ("ISC"):** The ISC supports the Trustees in the oversight and implementation of the Plan's RI policy and is comprised of 3 Trustee Directors with support from their appointed investment advisors. The ISC provides more detailed scrutiny of responsible investment and stewardship matters, including monitoring investment managers' ESG integration and stewardship activities, reviewing responsible investment reporting, considering emerging sustainability-related risks and opportunities, and overseeing the implementation of the Trustees' responsible investment objectives. As part of this monitoring and oversight, the ISC meets regularly with investment managers on RI topics. The ISC may make recommendations to the Trustees on the development of responsible investment policy and stewardship priorities, and reports regularly to the Trustees on its activities and findings.
- **Investment managers:** The Investment Managers are responsible for managing the Plan's assets against the objectives and constraints agreed for each mandate, taking all financially material ESG factors into account where relevant. The Investment Managers are expected to monitor and regularly report on their own RI activities and how RI has been implemented within each mandate.
- **Investment advisors:** The investment advisers provide advice on investment strategy, manager oversight, stewardship and responsible investment practices. They support the development of the Trustees' stewardship approach, provide training, and help ensure sustainability-related risks and opportunities are appropriately reflected in investment decision-making and manager monitoring.

Policy review

The Plan's RI policy is owned by the Trustees and reviewed periodically to ensure it remains aligned with regulatory expectations, evolving best practice, and the interests of the Plan's members.

Education

The Trustees are committed to developing knowledge and understanding of RI issues. The Trustees maintain appropriate skills and knowledge through ongoing training provided by their investment advisers, investment managers and supported by the professional independent Chair. The Trustees have an annual, dedicated in-person Investment Day to provide a forum for targeted training on RI topics and the Trustees may attend external training on RI matters.

3. Responsible Investment Objectives

The Trustees have developed a set of investment beliefs which are outlined in the [Statement of Investment Principles](#) and included in [Appendix 2](#). These beliefs underpin the Trustees' Vision for a Responsibly Invested Strategy and guide their long-term responsible investment objectives, which are summarised below:

- **Appointment and scrutiny of managers:** To incorporate sustainability considerations into the selection and ongoing oversight of investment managers, recognising both opportunities and risks that sustainability factors can present.
- **Active asset ownership:** To consider how the Plan's assets are invested, seeking to position the portfolio to benefit from long-term opportunities associated with the low carbon transition.
- **Measurement:** To support investment approaches that contribute positively to sustainable long-term outcomes, and measure the Plan's investments in this regard.

4. Implementation of RI Objectives

Investment Strategy

The Trustees integrate responsible investment considerations throughout the design and implementation of the investment strategy.

The Plan invests through pooled investment vehicles and uses a diversified mix of equity, fixed income, property and infrastructure assets.

When selecting investment managers or mandates, the Trustees consider:

- ESG integration capability;
- Stewardship quality;
- Climate risk management;
- Alignment with Trustee beliefs and stewardship priorities;
- Transparency and quality of reporting.

Investment through pooled vehicles

The Plan currently invests solely through pooled investment vehicles. As a result, the Trustees do not directly own the underlying assets within each mandate and are therefore unable to:

- determine which individual securities are bought, held or sold;
- direct investment managers to make or avoid specific investments;
- instruct investment managers on how to vote on individual shareholder resolutions; or
- engage directly with individual companies on stewardship matters.

The Trustees recognise that these arrangements place practical limits on the degree of influence that can be exercised over individual holdings and companies. While the Trustees cannot direct investment decisions, voting or company engagement activities at the individual holding level, they can challenge investment managers on all aspects of their responsible investment and stewardship approach, including portfolio construction, ESG integration, voting practices, engagement activity, escalation decisions and reporting. Stewardship is therefore implemented through the appointment, oversight and monitoring of investment managers, as set out below.

Stewardship and Engagement

The Trustees regard stewardship as a core component of their responsible investment approach.

Because the Plan invests predominantly through pooled funds, stewardship activities such as voting and direct company engagement are delegated to investment managers. However, responsibility for overseeing stewardship outcomes remains with the Trustees.

The Trustees expect managers to:

- Integrate financially material ESG factors into investment decisions, including the consideration of wider financially material systemic issues/ risks
- Be effective stewards of capital, undertake meaningful engagement with companies and other stakeholders
- Exercise voting rights responsibly
- Escalate concerns where engagement is unsuccessful
- Act transparently and report stewardship outcomes
- Manage conflicts of interest appropriately

To ensure the Plan's investment managers are integrating responsible investment appropriately and in line with the Trustees' expectations, outlined above, the Trustees aim to meet with all their investment managers on a rotational basis.

Systemic risks

The Trustees recognise that a range of market-wide and systemic factors can have a significant impact on long-term investment outcomes. The Trustees have identified the following key market-wide and systemic risks as being most relevant to the Plan:

- Climate change and the transition to a low-carbon economy: The Trustees recognise climate change as a systemic risk that has the potential to cause economic, financial and demographic impacts. Climate change has the potential to impact asset values through physical risks, transition risks, regulatory change, technological disruption and changing consumer behavior.
- Biodiversity and nature-related risks.
- Social risks, including employment practices and human capital management.

Given the Plan's position in the investment chain, engagement with issuers on systemic risks is primarily carried out by investment managers on the Plan's

behalf. The Trustees have embedded these systemic risk factors in their regular engagement with investment managers by incorporating them in their priority stewardship themes.

Stewardship themes

The Trustees have identified priority stewardship themes that they will look to address in their ongoing engagements with managers. The purpose of prioritising certain themes is to bring greater focus to the Trustees' manager engagement sessions and to promote consistency within the Trustees' governance and disclosure requirements. The themes are not exhaustive, and the Trustees may also engage with managers on additional topics as appropriate. The themes are expected to be in place for a period of several years given their enduring nature, and will be tested by the Trustees periodically.

ESG TOPIC	THEME	SUB-THEMES
Environmental	Achieving net zero	The Trustees aim to monitor whether managers and the companies within their portfolios are focused on ensuring companies are on a trajectory to decarbonise their activity. Within this, focus will be given to: • Climate change: Decarbonisation of industry, looking to ensure that those companies with high emissions are taking strategic actions to make changes in line with the goal of reaching zero carbon emissions (SDG 12: Responsible consumption and production & SDG13: Climate Action). • Biodiversity: Addressing deforestation, looking to ensure that those companies affected are taking steps to pursue actions that will reduce deforestation (SDG 14: Life below water & SDG 15: Life on land)
Social	Good employment practices	The Trustees aim to ensure that managers and the companies within their portfolios are focused on promoting good employment practices. Within this, focus will be given to: • Decent work & employment practices: looking to ensure that those companies involved in manufacturing are protecting labour rights and promoting safe and secure working environments (SDG 8: Decent work and economic growth). • Diversity & Inclusion: ensuring companies are providing equal opportunities and are actively reducing inequalities, promoting inclusion irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status, particularly in the context of emerging markets. Where there are cultural barriers that impact companies in emerging markets, understanding what steps are being taken to achieve fair representation (SDG5: Gender Equality & SDG10: Reduced Inequalities).
Good Quality Disclosures	Good Quality Disclosures	Good quality disclosures The Trustees aim to ensure that managers and the companies within their portfolios provide timely, accurate disclosures, in particular with respect to the provision of financially material ESG data. Where data may be challenging or uneconomic to collect, e.g. private markets, understanding what actions are being taken to ensure ESG risks are being properly managed.

Escalation

Given the Trustees' position in the investment chain, direct engagement with issuers is primarily carried out by investment managers on the Trustees' behalf. The Trustees are committed to overseeing this activity through monitoring, engagement and challenge with the investment managers. Where the Trustees identify areas of concern, these will be escalated through engagement with managers and the Trustees may seek clarification, require improvements or increase engagement. Where the managers approach ultimately does not align with the Trustees' expectations, the Trustees may consider changes to mandates or portfolio structure where appropriate.

Collaboration/ Advocacy

The Trustees do not typically engage directly in policy or standard setting initiatives. However, the Trustees expect investment managers to contribute to the development of industry standards and best practice, particularly in relation to climate and broader sustainability issues, which align with the Plan's priority stewardship themes.

5. Monitoring and Reporting

The Trustees monitor implementation of this policy through a structured framework of reporting, review and engagement. This includes:

- **Ongoing manager engagement meetings:** Regular discussions with investment managers to review responsible investment and stewardship activities, with a particular focus on how managers are addressing the Trustees' priority stewardship themes and systemic risks, and to challenge managers where appropriate. With regards to climate change, the Trustees seek to monitor whether investment managers and portfolio companies are progressing towards the decarbonisation of their activities and supporting the transition to a lower-carbon economy (and has set two environmental stewardship themes, climate change and biodiversity).
- **Manager monitoring and RI Ratings:** Regular manager monitoring and performance reviews, including RI Ratings produced by the specialist RI team at the Trustees' investment adviser. The RI team maintains ongoing coverage of investment managers, monitoring developments in ESG integration and stewardship practices and reflecting material changes through the ratings framework.
- **Annual responsible investment monitoring reports:** Assessment of managers' ESG integration and stewardship activities, including analysis of portfolio-level climate and other ESG metrics, and a formal review of managers' stewardship capabilities, strengths, areas for improvement and alignment with the Trustees' expectations. The Trustees monitor climate metrics and ESG data across the portfolio and regularly engage with managers regarding climate-related risks, opportunities and stewardship activities. Climate scenario analysis may be used where appropriate to assess portfolio resilience.
- **Annual review of voting and engagement activity:** Review of managers' voting records, engagement outcomes and any changes to responsible investment policies and practices.
- **Stewardship actions log:** Operational tool used to track progress against stewardship-related actions and support accountability and continuous improvement.

6. Communication

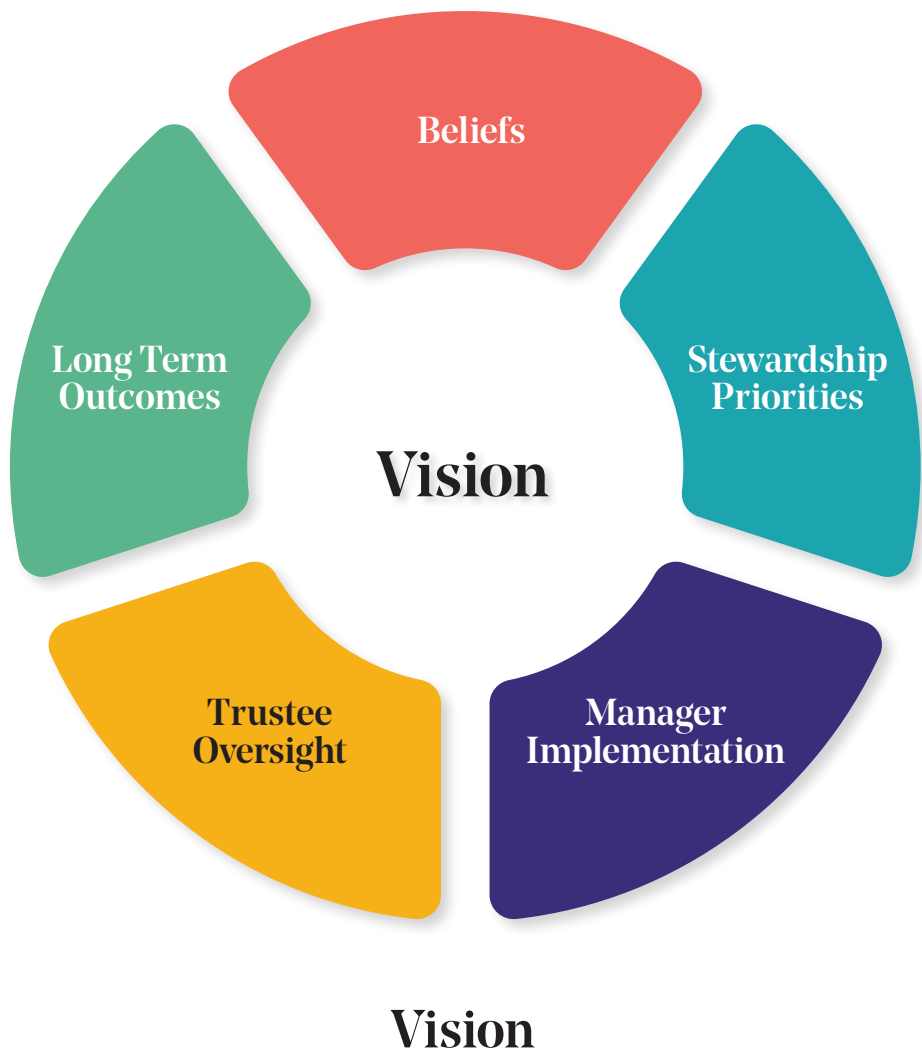
The Trustees believe that transparency is an important component of responsible investment. The Trustees aim to provide transparent information and reporting of its RI Policy and practices to Plan members and other interested parties.

The Trustees communicate their responsible investment activities through:

- Annual Implementation Statements, summarising voting and engagement activity over the previous year;
- Annual UK Stewardship Code Reports;
- Member newsletters;
- [Frequently Asked Questions document](#);
- The [Plan website](#) and supporting educational materials

The Trustees encourage feedback from members and seek to understand member views on responsible investment issues. Member communications and engagement activities help inform future development of the Trustees' responsible investment framework and stewardship priorities.

Appendix 1 – RI Framework



Vision “To invest in a manner where sustainability issues are not just considered as part of what managers do, but so that the invested assets contribute positively to a more sustainable future”				
Beliefs The Trustees’ RI beliefs establish how sustainability factors, stewardship and responsible investment support long-term outcomes for members		Stewardship Priorities – Climate Change & Biodiversity, – Decent Work & Employment Practices, Diversity & Inclusion, – Good Quality Disclosures		Manager Implementation – ESG integration, Voting – Company engagement, Escalation activities, – Stewardship Reporting, – Alignment with Trustee expectations
Trustee Oversight – ISC oversight, RI monitoring, Manager and mandate selection, – Investment Manager meetings, – Implementation Statement, – Trustee training and governance		Long Term Outcomes – Supports sustainable long-term returns, – Effective stewardship, – Positive contribution over time		

Appendix 2 – Responsible Investment Beliefs

Responsible Investment

- A responsible investment policy can be implemented using third party products or delegated to third parties; in either case policies should be regularly monitored, and implementation of the policies challenged. It's incumbent on the Trustees to ensure that those they select to implement their strategy are closely aligned with the values and beliefs of the Trustees.
- Investment managers have the ability to positively influence corporate behaviours through engagement and the exercise of voting rights. Where change is deemed appropriate then managers should be prepared to hold companies to account and drive change. An unwillingness to act, either by the manager or by the corporate, should always be challenged.
- Environmental and societal factors are expected to create long term change which will give rise to both investment risks and opportunities for additional returns. The Trustees can have a positive environmental and/or social impact by investing with the expectation of change whilst also recognising that such change will create short term risk. Where impact is expected, efforts should be made to measure it.

Appendix 3 – Glossary

Climate risk

The potential impact that climate change may have on future financial returns, asset values and wider economic and societal outcomes. Climate risks can arise from both transition risk (risks arising from the transition to a lower-carbon economy, including policy, regulation, technology, market dynamics and consumer behaviour) and physical risk (risks arising from the physical impacts of climate change, including chronic changes such as rising temperatures, acute weather events such as floods, storms, wildfires and heatwaves).

Collaboration

Partnering with other investors, industry bodies or stakeholders to pursue common stewardship objectives.

Decarbonisation

To reduce or remove carbon dioxide emissions and other greenhouse gas emissions from the economy (product, organisation or country). In practice, this means shifting from fossil fuels to alternative low-carbon energy sources, as well as reducing the emissions produced more widely across the value chain (as well as energy usage).

ESG

Environmental, Social and Governance factors which represent the various sources of risk and opportunity that can have a bearing on the performance of individual companies, assets and portfolios.

ESG Integration

The consideration and incorporation of ESG factors within the investment analysis and decision-making process, with the aim of improving risk-adjusted returns. It involves seeking out ESG information, assessing the materiality of that information, and integrating information judged to be material into investment analysis, investment decision-making and stewardship activity.

Engagement

Active dialogue between investors and companies, investment managers or other stakeholders to influence behaviour, improve long-term value creation and address financially material ESG risks and opportunities.

Escalation

Actions taken by investors or investment managers when engagement has not achieved the desired outcome. Escalation may include further engagement, collaborative initiatives, voting against management, or ultimately reducing investment exposure where appropriate.

Net Zero

A global objective to achieve a state in which the amount of greenhouse gases emitted into the atmosphere is equal to the amount removed. Achieving Net Zero requires emissions to be reduced as far as possible, with only residual and unavoidable emissions offset or removed. For investors, supporting Net Zero involves managing climate-related risks and opportunities through capital allocation, stewardship and engagement, while seeking to contribute to real-world emissions reductions over time.

Pooled Fund

An investment vehicle where money from multiple investors is combined and managed collectively, rather than each investor owning individual assets directly.

Responsible Investment (RI)

An investment practice that recognises the potential financial impact of ESG factors on investment outcomes and incorporates these considerations into investment decision-making, stewardship and ongoing monitoring, with the aim of improving long-term risk-adjusted returns and supporting sustainable long-term outcomes.

Stewardship

The oversight and responsible management of capital by investors, including engagement, voting, monitoring, collaboration and policy advocacy, with the aim of protecting and enhancing long-term value for beneficiaries.

Sustainability

Meeting present needs without compromising the ability of future generations to meet their own needs. Sustainability refers to the ability of environmental, social and economic systems to support long-term prosperity and resilience.

Systemic risks

Risks that affect an entire sector, market or economy – rather than a small number of issuers – and therefore cannot be mitigated through diversification or selective divestment. Examples include climate change, nature loss, inequality and antimicrobial resistance.

Sustainable Development Goals (SDG)

A set of 17 global goals adopted by the United Nations member states in 2015 as part of the 2030 Agenda for Sustainable Development. They provide a framework for addressing the world's most pressing environmental, social and economic challenges.

Trustees

The board responsible for managing the Plan. It comprises an independent chair, alongside Trustees nominated by both the members and the company, who together oversee the Plan in the best interests of all members and beneficiaries.

UK Stewardship Code A set of principles for institutional investors in the UK, designed to promote good practice in how they manage and oversee investments on behalf of others.

Voting The exercise of shareholder rights on company resolutions and governance matters.