

The London Borough of Southwark Pension Fund

Equality, Diversity & Inclusion Policy

Introduction

The London Borough of Southwark Pension Fund is part of the national Local Government Pension Scheme (LGPS) and is administered by Southwark Council.

The London Borough of Southwark Pension Fund ('the Fund' or 'us' or 'we') is committed to encouraging Equality, Diversity and Inclusion ('EDI') amongst its workforce, and in its dealings with pension fund members, employers and other internal and external stakeholders.

With this background, the Fund has developed this Equality, Diversity and Inclusion policy ('EDI policy' or 'Policy'). The aim of the Policy is to reinforce the Fund's commitment to EDI as part of its internal and external operations. The Fund will also consider Southwark Council's Equality Framework ('the Southwark Equality Framework') while implementing the Policy.

The Policy has been reviewed and agreed by the Pensions Advisory Panel ('PAP'). The Policy will be reviewed annually by Fund officers and its external investment advisors and amended as required. Any changes to the Policy will be agreed by PAP.

Scope of the Policy

The Policy applies to all employees of the Fund, and all members of the Local Pension Board (LPB) and the PAP, including scheme member and employer representatives, whether they are Fund employees and/or voting members.

This Policy looks at EDI aspects in relation to the Fund's internal activities as well as in managing the Fund's engagement with external third parties like investment managers, consultants, external experts, etc.

The Fund has a number of objectives within its key strategies and policies. Those which are most relevant to this policy include:

- ensuring we use the most appropriate means of communication, taking into account the different needs of different stakeholders. Please see Appendix 1 for more details.
- considering EDI parameters, where practical, as part of the investment decisions.
- considering EDI parameters as part of engagement and stewardship activity with the portfolio companies of the Fund.

Responsibility for the Policy

The PAP is responsible for agreeing the Policy and for ensuring oversight, accountability, and effective application of the Policy. The LPB will also review the suitability of, and compliance, with the Policy as part of its scrutiny function.

The responsibility for establishing the Policy lies with the Strategic Director of Finance ('s151 officer') of the Fund, who also incorporates the advice of the Fund's external investment advisers and considers applicable regulatory requirements.

The Pensions and Treasury Investment team and the Pensions Operations team are responsible for implementation and ongoing monitoring of the Policy, including periodic reporting to the PAP and LPB from a governance perspective.

Legislative and related context

The Equality Act 2010

The Equality Act 2010¹ legally protects individuals from discrimination in the workplace and wider society. The Act also contains a specific public sector equality duty which applies to the Southwark Council and therefore the Fund. This duty requires public authorities to have regard to the need to:

- remove or reduce disadvantages suffered by people because of protected characteristics.
- meet the needs of people with protected characteristics.
- encourage people with protected characteristics to participate in public life and other activities.

Guidance from the Pensions Regulator

The Pensions Regulator (TPR)'s guidance on EDI² (issued 2023) suggests that the administering authority should develop and maintain an EDI policy which includes:

- an agreed definition of EDI
- the EDI aims of the Fund and
- an EDI training plan for the Fund

TPR's General Code³ also outlines the following expectations for the "governing body" or fund governance, i.e., those responsible for running the scheme:

¹ <https://www.legislation.gov.uk/ukpga/2010/15/contents>

² <https://www.thepensionsregulator.gov.uk/en/document-library/scheme-management-detailed-guidance/governing-body-detailed-guidance/equality-diversity-and-inclusion/governing-body-edi-guidance>

³ <https://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice/the-governing-body>

- should be well balanced and diverse with its members demonstrating varied skills, knowledge, and experience.
- may wish to consider good practice approaches to make sure their recruitment practices are inclusive.
- should regularly review their membership to ensure a diverse spread of members with varied technical skills and experience.

This Policy seeks to address the TPR's expectations where it is practical to do so within the governance arrangements for local authority pension funds.

Definitions

The Fund has considered the following definitions in relation to EDI:

- Equality – for the Fund, equality is about ensuring that all members and employers have equal access to information about the Fund, the benefits it offers and what the Fund needs from them to administer the benefits. The Fund also recognises that enhancing the diversity and inclusion of those involved in managing the Fund, including officers, LPB and PAP members can improve equality.
- Diversity – the Fund considers diversity to relate all characteristics which make individuals different; from protected characteristics such as age, disability, race, religion, sex and sexual orientation and broader characteristics such as socio-economic background, life experiences, education levels and languages.
- Inclusion – the Fund aims to create an environment in which all those individuals involved in managing the Fund can thrive and reach their full potential.

The Aim of the Policy

The aim of the Policy is to:

- promote an inclusive and diverse workforce and culture at the Fund, including at the Fund's governing bodies, the LPB and the PAP.
- promote a working environment where all employees are treated fairly, with respect and dignity.
- encourage EDI-focused practices while engaging with external stakeholders like consultants and investment managers.

The Fund's aims

Fund Governance

In relation to EDI, the Fund aims to ensure that wherever possible, those involved in governance of the Fund, including the LPB, PAP and the Strategic Director of Finance

('s151 officer'), comprise individuals with a broad range of characteristics, life experiences, expertise, and skills.

We believe this will enable more effective Fund operations through:

- decision-making that reflects individual pension fund members' needs and values.
- better, more inclusive decision-making that benefits members and employers.
- greater understanding, insight, and empathy for members.
- improved communications with the members.

The Chair of both the PAP and the LPB can play a key role in embedding the Fund's EDI aims in relation to how PAP and LPB meetings are run. Support and training will be provided as required to support the Chairs in fulfilling that role.

Fund Management

The Fund Management includes the Pensions & Treasury Investment team (led by the Chief Investment Officer) and the Pensions Operations team (led by the Head of Pensions Operations) and all officers/employees in the teams in the investment, treasury, pensions management and other operational activities.

The Fund's commitment is that regardless of the contract type, every employee, is entitled to a working environment that promotes dignity, equality and respect for all. The Fund will not tolerate any acts of unlawful or unfair discrimination committed against an employee, contractor, job applicant or visitor because of any protected characteristics, like sex, gender, marital status, race (including ethnic origin, colour, nationality and national origin), disability, sexual orientation, religion or belief, and age.

Selection for employment, promotion, training, or any other benefit will be solely based on aptitude and ability. During employment, the Fund will not discriminate based on work pattern (part-time working, fixed term contract, flexible working).

Dealings with external stakeholder(s)

The Fund regularly deals with external investment managers and consultants as part of its strategic and investment activities, including organisations like London Collective Investment Vehicle (LCIV) where it is a shareholder.

As part of its dealing with such external stakeholders, where possible, the Fund will consider various EDI aspects as part of decision-making processes involving the Fund operations. The Fund will also encourage such stakeholders to adopt various EDI initiatives, where practical, as part of the stakeholders' own governance structures and internal operations.

Delivering our EDI aims

Fund Governance

The Fund will encourage diversity and inclusion amongst those involved in the Fund Governance activities, (noting that the Elected Members on the PAP, LPB and s151 officer are employed by the Council and not the Fund), through the following:

- considering the need for diversity in skill set and experience as part of appointment process for LPB and PAP members and employer representatives on the PAP.
- supporting all those involved in the Fund's Governance in understanding unconscious bias and the benefits of EDI through training and other methods.
- encouraging inclusive behaviours and providing a supportive environment for discussions at the PAP and LPB meetings, encouraging members to contribute to the discussion regardless of expertise level.
- actively applying a diversity and inclusion lens in day-to-day activities, including in relation to the exercise of administering authority discretions where appropriate.
- actively challenging unconscious biases by asking questions and considering counter-factual views.
- ensuring all those involved in Fund's Governance remain committed to continuously address and consider biases when making decisions.
- ensuring EDI considerations are considered when Fund policies and strategies are developed or reviewed, whether these relate to administration, other operational work, communications, governance, funding or investment.
- considering the EDI policies and initiatives of external stakeholders we work with as part of the procurement process.
- seeking expert and/or legal guidance when interpreting changes to LGPS Regulations to ensure fair and proportionate application across the Fund membership.

Fund Management

In respect of the Fund Management, the Fund will take the following EDI-focused actions covering various stages of the employment lifecycle.

Recruitment

Selection for employment will be based on aptitude and ability. Where possible, the Fund will capture applicants' diversity demographics as part of its recruitment processes to promote the elimination of unlawful discrimination.

Training

In order to encourage the promotion of the principles of this Policy, from time to time, the Fund may require its employees, as well as members of the Fund Governance (i.e., PAP, LPB and s151 officer) to participate in training and development activities in line with the applicable training policy of the Fund and the Southwark Equality Framework.

Career progression

All career progression decisions, including promotion, will be made on the basis of merit, and will not be influenced by any of the protected characteristics discussed earlier. Promotion opportunities will be monitored to ensure equality of opportunity at all levels.

During employment

The benefits, terms and conditions of employment and facilities available to Fund employees will be reviewed on a regular basis to ensure that access is not restricted by unlawful means and/or on the basis of any of the protected characteristics discussed earlier.

Grievances, Disciplinary Action and Termination of Employment

The Chief Investment Officer can be contacted in the first instance for any informal resolution in case an employee wants to raise any issue(s).

Additionally, the Fund will ensure that, where applicable, grievance and disciplinary procedures are carried out fairly and uniformly for all employees, including in line with the Southwark Equality Framework, whether they result in the giving of disciplinary warnings, dismissal or other disciplinary action.

Dealings with external stakeholders

While working with external stakeholders such as investment managers and consultants, where possible, the Fund will take the following actions to deliver the aims of this Policy:

- considering various EDI aspects including diversity at Board level and senior management and client service teams at such investment managers and consultants.
- encouraging its investment managers and consultants to embed EDI principles as part of their day-to-day operations.
- ensuring the investment managers are able to demonstrate the actions that they are taking to encourage a more diverse workforce and their commitments to encouraging minority groups to apply for senior role.
- encouraging its investment managers and consultants to participate in EDI-focused industry and sector initiatives.

- overlay EDI parameters while selecting and/or continuing to engage with existing external service providers, including investment managers and consultants.
- encouraging the investment managers to consider EDI as an important factor and a stewardship priority and increase focus on EDI parameters as part of their voting and engagement efforts.
- asking the investment manager managers to give examples of engagement and evidencing improvement on EDI aspects with underlying portfolio companies, as required.
- encouraging advisers to point out any diversity and inclusion angles to decisions being made by the administering authority.
- engaging with these service providers to request EDI-related data (as relevant), including applicable EDI policies, and monitor/understand progress overtime on various EDI parameters and initiatives.

Monitoring progress against our EDI aims and objectives

We will monitor our progress in achieving our policy aims in the following ways:

Fund Governance

- EDI-focused discussions/agenda items are part of the PAP and LPB meetings.
- number of training/workshop sessions conducted on EDI topics and member attendance/ coverage.

Fund Management

- asking employees about their views on the Fund's approach to, and its success in, implementing EDI-focused initiatives as part of periodic feedback.
- number of training/workshop sessions conducted on EDI topics and their coverage.

Dealing with external stakeholders

- gathering EDI policies from fund managers and other third-party providers to help inform/codify the Fund's internal EDI Policy.
- seeking details about EDI-focused internal governance structure and initiatives considered by the investment managers and consultants.
- seeking details of membership of EDI-focused initiatives or sector initiatives investment managers and consultants are part of.
- requesting EDI-focused data from the investment managers and consultants periodically to understand progress over time.

- seeking feedback and information on EDI-focused engagement and voting efforts as part of the stewardship.

Reporting the Fund's progress on EDI aims

As appropriate, the Fund will report progress on its EDI aims and objectives as part of the Annual Report and Accounts.

Approval and Review

This Equality, Diversity & Inclusion Policy was reviewed by the PAP and approved by the s151 officer. It will be formally reviewed and updated at least every three years or sooner if any matters included within it merit reconsideration, including if there are any changes to the Council's requirements, or to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this EDI Policy, please contact Caroline Watson, Chief Investment Officer of the Fund at caroline.watson@southwark.gov.uk.

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Appendix 1

In order to reflect inclusion in member communications, the Fund ensures that communications issued reflect our values and beliefs.

The Fund complies with the TPR General Code and has particular regard for vulnerable members when issuing communications.

It is a priority for the Fund to ensure that there is the correct use of pronouns, and members are encouraged to inform the officers of their identifying status.

The Fund is committed to enhance wellbeing and engagement. We consider the needs of our membership both as a whole and at an individual level having particular concern for;

Physical Accessibility

The Fund take the necessary steps to ensure communications have regard for accessibility for those with a physical disability. For example, other formats for printed material are considered e.g., large print, Braille, non-English / Colour vision deficiency.

Mental Accessibility

Pensions are a complex topic and it is important to the Fund that members feel comfortable and understand all communications issued by the Fund. The communications issued reflect the values and beliefs outlined in the policy.

Use of Imagery

The Fund ensures that inclusive and diverse imagery and language is included within all communications, including when advertising for vacancies on the PAP / LPB.

Digital Accessibility

The Fund is mindful that not all of our members have digital access or are perhaps not confident in the use of that format. In order to ensure that members receive information in a format they can access and understand.

In line with legal requirements, we ensure that hard copies of communications are issued as appropriate.