Cumbria Pension Fund - Responsible Investment Policy

This policy was agreed 26 June 2026.

The below sets out Cumbria Pension Fund's ("the Fund") Policy which governs its approach to responsible investment (RI) and stewardship.

Context

This policy is set in the context of the Government's agenda for the pooling of the investment assets of the Local Government Pension Scheme in England and Wales.

The Cumbria Pension Fund is a participant in the Border to Coast Pensions Partnership ('Border to Coast') which from 1 April 2026 has expanded to include an additional 7 partner funds moving from the disestablished Access Pool.

Following the 2024 'Fit for the Future' Pensions Review the Pensions Schemes Bill 2026 gained Royal Assent in late April 2026 which will see the LGPS (Pooling, Management and Investment of Funds) 2026 regulations come into force. The related guidance is still being finalised, but it is expected to state that the responsibility for stewardship, which includes shareholder voting and engagement, remains with the Partner Funds.

Whilst the Fund retains responsibility for setting a policy stance in relation to responsible investment issues, this will be implemented in the most part by Border to Coast, and the guidance indicates Funds should set their RI approach in collaboration with their Pool and other Partner Funds in order to maximise alignment.

In 2025 Border to Coast undertook a review of its RI Strategy in consultation with fellow partner funds. The Strategy sets out what Border to Coast aims to achieve by 2030 and it is supported by the three Border to Coast policy documents (RI Policy, Climate Change Policy and Corporate Governance and Voting Guidelines) which set out how they will achieve these aims. Our other Fund Managers also implement RI directly on our behalf.

Investment Beliefs

Responsible Investment as a concept is fundamental to the Fund's investment beliefs. Thus, it is a key part of "how we do investment" (and how we expect those who manage money on our behalf to do it) rather than being an add on or overlay. The Fund's Responsible Investment beliefs are detailed in full as item 6 in section 2.2 of its Investment Strategy Statement but are summarised below:

As long-term investors, we believe that integrating environmental, social and corporate governance ("ESG") considerations into the investment management process improves risk adjusted returns.

- *The Fund believes that ESG factors, such as climate change, can have a material impact on the risk profile and value of financial assets in the long term.*
- *It is noted that the UK Government's commitment to achieve net zero by 2050 and support that as a Fund.*
- *The Fund notes that our primary investment manager (BCPP) is committed to achieving net-zero on their investment portfolios by 2050 or sooner, recognising that achievement of this is linked to central government ambitions.*
- *It is recognised that scheme employers may have their own specific net-zero targets and aims but the fiduciary duty requires the Fund's investment decisions to be in the interest of scheme members and employers.*
- *The Fund considers that being a responsible investor and incorporating ESG factors into investment decisions helps improve the long-term risk adjusted returns for investors, but we do not believe that making investment decisions solely on non-financial grounds (e.g. ethical considerations) meets the Fund's overarching primary fiduciary duty.*
- *The Fund believes that the best way to be a responsible investor and to influence policy change is not through divestment in the first instance but to influence through active engagement and encourage continuous improvement in respect of progress towards the ESG ambitions of the Fund.*
- *All investment managers should consider progress on shareholder engagement in their decision to continue to invest or divest in a company.*
- *The Fund expects management teams and Boards of Directors to be responsive to their shareholders.*
- *The Fund will lead by example by ensuring we are an active shareholder and, where appropriate, utilising the scale of collaboration with other LGPS Funds.*

Approach to Stewardship, Responsibility and ESG

The primary objective of any pension fund is to ensure that its assets are sufficient to meet its liabilities when they fall due. In order to achieve this, funds have to produce the required levels of financial return without taking on undue levels of risk (rewarded or unrewarded) whilst also operating within the relevant regulatory framework.

Evidence shows that pension funds which consider how the companies they are invested in behave in relation to environmental, social and governance issues, tend to achieve better returns. In other words, companies that are well managed and have strong governance are more likely to be successful long-term investments. This accords with the expectations in the Fund's Investment Beliefs and reflects our overall attitude to the stewardship of the Fund. As an active, long-term investor, we are aware that businesses that operate to high standards of corporate governance along with environmental, social and governance best practice, are better positioned to manage risk and deliver long term value.

The Fund is a signature to the Financial Reporting Council's UK Stewardship Code 2020, the Financial Reporting Council (FRC) has now published its reporting guidance for the UK Stewardship Code 2026 which will apply from 1 January 2026 and the Fund will seek to maintain compliance with the updated Code. The Code sets high standards for the responsible allocation, management and oversight of capital to create long-term value leading to sustainable benefits for the economy, the environment and society. The updated Code seeks to sharpen the focus on signatories activities and their outcomes. The Fund expects Border to Coast to be a signatory to both the UK Stewardship Code and the Principles for Responsible Investment.

The Fund has considered the views of stakeholders, principally scheme members and employers, in coming to its views in this area. While it is difficult to establish member views with precision, it is possible to distil a generic view from this research as members and employers wanting the Fund "to invest in a world worth living in" with the Fund being invested on their behalf. This provides a broad principle that underpins our beliefs in this area.

There are five major components to our Responsible Investment (RI) approach:

1) Stewardship: ensuring the Fund's RI expectations cover all assets and are being met through regular monitoring of investments and investment managers.
2) Integration: RI factors being included in investment decisions and in the analysis of the Fund's investments.
3) Voting: using shares to 'have a say' by voting at company meetings.
4) Engagement, Escalation and Exclusion: talking to companies in which it invests about issues of concern and encouraging them to adopt better practices then acting against companies where voting and engagement have not solved specific area(s) of concern. There may be specific instances where this is exhausted and the decision to sell or not invest is appropriate.
5) Litigation: Joining class actions, where appropriate, where activities undertaken by companies are considered to have had a detrimental effect to the value of the Fund. In the context of pooling any new litigation is likely to be undertaken by the pool company.

Integration of RI into investment decisions

The Fund expects its investment managers and other service providers including Border to Coast, to consider, environmental, social and corporate governance (ESG) issues when carrying out financial analysis and investment decision making. The factors considered are those which can cause material financial and reputational risk, ultimately resulting in a reduction in shareholder value.

As stewardship activities are delivered by the Pool, the Fund expects the Pool to exercise investor rights (including engagement and voting) in line with policies agreed with Partner Funds. In setting its RI approach, the Fund works collaboratively with the Pool and other Partner Funds, to support efficient and effective implementation. The

Fund seeks to ensure that stewardship activities undertaken on its behalf are aligned with the Fund's objectives and priorities.

ESG issues will be considered and monitored in relation to both internally and externally managed assets at Border to Coast. Issues considered include, but are not limited to:

Environmental	Social	Governance	Other
Climate change Resource & energy management Water stress Single use plastics Biodiversity	Human rights Child labour Supply chain Human capital Employment standards Pay conditions (e.g. living wage in UK) Just transition	Board independence Diversity of thought Executive pay Tax transparency Auditor rotation Succession planning Shareholder rights	Business strategy Risk management Cyber security Data privacy Bribery & corruption Political lobbying

The Fund supports the Border to Coast assessment of material sustainability related risks and opportunities to long term investment outcomes and supports the four sustainability-related themes for the investment portfolios that Border to Coast manage on our behalf:

Corporate Accountability – promoting strong governance, transparency and accountability across our investments:

- Focus on board effectiveness, decision-making structures and shareholder responsiveness, in line with the belief that well-governed companies are better positioned to manage risk and deliver long term value.

Climate resilience – managing climate related risks, opportunities and impacts, including mitigation, adaptation and the transition to net zero, to support long term portfolio resilience:

- Assess how physical and policy-related climate developments could affect investment performance, contribute to mitigation and seek to position investment portfolios to navigate change and capture opportunity.

Resources and Environment – managing environmental risks that could materially affect investment performance, including those linked to land, water, nature and resource scarcity:

- Focus on areas where environmental degradation and damage may impact asset value, operational continuity or long-term market and company stability or return potential.

Workforce and Community – managing social risks, that could affect long term value, including workforce practices, supply chains, consumer and community impacts:

- Consider how labour standards local economic conditions, and stakeholder relationships influence company resilience and investment outcomes.

The Fund's high level Responsible investment objectives and priorities are:

Area	Objective	Priorities
Environmental	The Fund's objective is to ensure that financially material environmental risks and opportunities are identified, assessed and monitored over the long term.	The Fund prefers investee companies to demonstrate credible progress in managing material sustainability-related risks, including those affecting business resilience and asset values.
Social	The Fund's objective is to promote high standards of labour practices and other positive outcomes for communities, that lead to long-term value creation; where these are consistent with fiduciary duties.	The Fund prefers investee companies to demonstrate credible progress in managing social-related risks, supported by improving disclosures.
Governance	The Fund's objective is to promote high standards of corporate governance and accountability in the management of material risks to the creation of long-term shareholder value.	The Fund prioritises stewardship activity focused on companies where weaknesses in governance, board oversight or risk management are identified.
In all the above, where progress is insufficient, a defined escalation policy is followed including voting action.		

Training

Officers and advisors at the Fund will maintain appropriate knowledge and skills in responsible investment and stewardship through continuing professional development, and where necessary take expert advice from suitable RI specialists to fulfil obligations and responsibilities.

Relevant training will also be undertaken by members of the Fund's Pensions Committee and Local Pension Board as part of their learning and development programme.

In addition, the Fund expects its investment managers, including Board to Coast, to have similar programmes to ensure their staff have expert knowledge and skills to analyse actual and potential investments, including all aspects of Responsible Investment and particularly climate change.

Exercise of voting rights

The Fund is responsible for setting high-level expectations for how voting rights should be exercised. The implementation of voting activity held within pooled arrangements is delegated to the Pool.

The Pool exercises voting rights on behalf of Partner Funds in line with its Corporate Governance & Voting Guidelines which are developed by Border to Coast and agreed by the partner funds. The Fund proactively engages with Border to Coast and the pool's other partner funds to influence these.

Border to Coast appoints a specialist proxy voting advisor to provide analysis of voting and governance issues and to ensure that votes are executed in accordance with its policies and voting guidelines. The Fund appreciates that a degree of flexibility is required to reflect specific company and meeting circumstances and the voting guidelines are administered and assessed on a case-by-case basis.

Where the Fund wishes to diverge from the Pool's voting guidelines, the Pool has an established mechanism for considering Fund-specific voting instructions.

The Fund expects Border to Coast, where appropriate, to consider co-filing shareholder resolutions which support the long-term economic interests of shareholders and to notify the Fund in advance of doing so. Equally the Fund may encourage Border to Coast to co-file resolutions.

Engagement

The Fund believes that the best way to influence companies is through engagement, and the Pool undertakes stewardship activities on behalf of all Partner Funds, including engagement and monitoring in relation to investee companies and assets. The Pool's approach is set out in its Responsible Investment Policy. As a responsible investor, the approach taken will be to influence companies' governance standards, environmental, human rights and other policies by constructive shareholder engagement in addition to the use of voting rights.

Meeting and engaging with companies should be an integral part of the investment process. The Fund expects its investment managers, of whatever type, to engage with companies across all markets and to report on the outcomes of such engagement.

Border to Coast uses a specialist provider to help identify issues of concern and to engage with companies across the world, covering environmental, social and governance issues. These include breaches of the UN Global Compact, a framework based on international conventions in the areas of human rights, labour standards, environmental stewardship and anti-corruption. The factors considered in choosing those themes are:

- *that progress in the themes is expected to have a material financial impact on our investment portfolios in the long-term;*
- *that ambitious, but achievable milestones can be set through which progress over the period can be measured.*

These factors mean that the choice of themes is driven by the material ESG risks facing the Fund and their financial materiality.

The Fund also expects the Pool and its legacy investment managers to encourage companies to improve disclosure in relation to ESG and to report and disclose in line with the Task Force on Climate related Financial Disclosures (TCFD) and other developing initiatives, such as the Workforce Disclosure Initiative (WDI) and Task Force on Nature Related Financial Disclosure (TNFD).

The Fund expects Border to Coast to undertake collaborative engagement with other institutional shareholders. The Fund (along with the other Border to Coast partner funds and the pool Company) is an active member and supporter of the Local Authority Pension Fund Forum (LAPFF) and encourages LAPFF in its campaigns and initiatives.

The Fund expects Border to Coast and LAPFF to identify specific themes or areas of focus for engagement. However, different priorities of the various partner funds may result in some degree of compromise.

As a responsible investor, the Fund, through the Pool and its legacy investment managers, engages with regulators, public policy makers, and other financial market participants on systemic risks to help create a stable environment to enhance long-term returns.

Escalation and Exclusion

The Fund believes that engagement and constructive dialogue with the companies in which it invests is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result, escalation may be necessary. A lack of responsiveness by the company can be addressed by conducting collaborative engagement with other institutional shareholders, registering concern by voting on related agenda items at shareholder meetings, attending a shareholder meeting in person, making a public statement, publicly pre-declaring our voting intention, and filing/co-filing a shareholder resolution.

If the investment case has been fundamentally weakened, the Pool or the relevant investment fund manager retains the right to divest from the company's shares. The Fund holds the majority of its assets through pooled vehicles; i.e. we do not hold the assets directly and therefore in practice we cannot divest from an individual company, we can only reduce our units in that pooled product.

Aligned with the BCPP RI policy there are specific investments that the Fund supports the decision not to invest in. This includes some companies with more than 25% of revenues from thermal coal or oil sands exposures, unless there are exceptional circumstances. In addition, in respect of controversial weapons, as a responsible investor the Fund supports the screening of companies to exclude those manufacturing whole weapon system or components that have been developed or modified for the use in cluster munitions, landmines, and both biological and chemical weapons.

In respect of investments in conflict zones the Government recently confirmed its position, stating that decisions on boycotts, divestment and sanctions are matters of UK foreign policy and it indicated that local authority investment policies should not go beyond or differ from those positions. In this context, the Fund owes a duty of care to scheme employers and members to act in the best interests of the Fund as a whole, to secure the delivery of financial returns to meet future pension payments.

The Fund will be looking for those acting on its behalf (principally Border to Coast) to set out, when launching an engagement process, the consequences of failure by companies to make progress particularly in relation to the production of clear and deliverable climate transition plans. It is expected that these consequences will include the identification of the point at which the investment case for a company is undermined to such an extent that divestment is the appropriate course of action. The Fund recognises that it cannot move on this alone given that all its listed investments are in pooled funds and will be explicitly seeking to influence its partners to agree to policies of this sort.

Litigation

Where assets held by the Fund are subject to individual or class action securities litigation, it will, where appropriate, participate in such litigation, including through the Pool.

There are various litigation routes available dependent upon where the company is registered. The Fund will use a case-by-case approach to determine whether or not to participate after having considered the risks and potential benefits. The Fund uses industry professionals to facilitate this in respect of historic holdings and expects Border to Coast to follow a similar model.

Monitoring and Reporting

The Fund monitors Border to Coast's activities for compliance with agreed policies and guidelines. The Fund undertakes this monitoring both individually and working collectively with the other partner funds within Border to Coast.

The Fund will report on Border to Coast's RI activities, and those of its investment managers, on a regular basis. This will be done by making the Pool's RI policy, voting guidelines and reports on activity publicly available on the Fund's website and providing links to additional information provided by Border to Coast.

Compliance of the Fund and the Pool with the UK Stewardship Code is monitored on an annual basis by the Financial Reporting Council and the signatories are made public on their website.

The Fund is committed to further develop analysis and reporting of the impact of its investments in preparation for the introduction of new reporting requirements such as Taskforce on Climate Related Financial Disclosures (TCFD) and Taskforce on Nature Related Financial Disclosures (TNFD).

Conflicts of interest

The Fund has developed a specific Conflicts of Interest policy for members of its Pensions Committee, Local Pension Board and key Officers. This policy enables those charged with governance of the Pension Fund to declare and resolve any relevant interests and relationships and help protect themselves from any accusations or perception that they have acted in an inappropriate way or based on their own interest.

Border to Coast has a suite of policies which are applied to identify and manage any potential conflicts of interest between itself and the partner funds, including in relation to Stewardship.

Climate Change

The Fund recognises the global issues and risks arising from climate change and the material impact it can have on the performance of the Fund on its assets and liabilities.

The Fund expects Border to Coast and its other investment managers to be aware of the investment risks associated with climate change and to take appropriate action to identify them and mitigate their impact, including engaging with and influencing companies.

The Fund is committed to further develop analysis and reporting of the climate metrics of the Fund's investments in preparation for the introduction of Taskforce on Climate Related Financial Disclosure (TCFD). This will also include improved reporting on investments in clean energy.

The Fund recognises that Border to Coast is committed to achieving net-zero on their investment portfolios by 2050 or sooner. Border to Coast and LAPFF also collaborate with like-minded investors and partners in initiatives such as Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+. These should help to mitigate the climate changes risks faced by the Fund.

The policy will be reviewed annually to ensure that it continues to reflect good practice on responsible investment, and the RI approaches adopted by our fund managers.