

RESPONSIBLE INVESTMENT UPDATE

Purpose of the Report

1. The purpose of this report is to update the Board on progress made in implementing responsible investment issues.

Background

2. Over the last year, the Committee have continued the focus on responsible investment issues, and commissioned Mercer to carry out climate change scenario modelling on the strategic asset allocation. Following on from several training sessions, workshops, dedicated responsible investment meetings and a survey of both Committee members and the scheme membership, the Committee decided to amend the Investment Strategy Statement (ISS) to include a commitment to achieve net zero across the investment portfolios by 2050. The employers were also consulted on the ISS.
3. A summary of the meetings held is as follows. Members of the Local Pension Board have been (and will continue to be) invited to all training sessions.
 - September 2020 – training session from Mercer on climate risk and investments
 - November 2020 – workshop with Mercer to discuss the results of the climate change scenario modelling work
 - December 2020 – Committee meeting at which Mercer presented the results of a responsible investment survey which Committee members took part in, and various decisions were made (see table below)
 - January 2021 – extraordinary Committee meeting to further discuss responsible investment issues, including climate risk, a pathway to net zero, and impact investing
 - Early March 2021 – training session where Hymans (the Funds actuary) presented their own climate scenario modelling, and a leading investment manager discussed their own approach to embedding climate risk in the investment process
 - March 2021 – the employers were consulted on the ISS, and the Fund surveyed the scheme membership on responsible investment issues
 - Late March 2021 – Committee meeting at which members adopted an amended ISS and approved a budget to support putting this into action
4. Other recent decisions made by the Committee include investigating the Brunel sustainable equities portfolio for consideration as part of the strategy, adopting TCFD (Task Force on Climate-related Financial Disclosures) reporting in the 2020/21 annual report, developing a plan to report in line with the Stewardship Code 2020, additional training for Committee members on impact investing, and publicising the new ISS via a press release. A summary of recent decisions and the actions taken is shown in the table below:

Recommendation	Action
Members agreed...	
To amend the Investment Strategy Statement (ISS) in line with Mercer's recommendations, i.e. making a commitment to achieve net zero in the portfolios by 2050, in alignment with the Paris agreement and the UK government, and an explicit acknowledgement that warming needs to be kept to sub-2°C.	The ISS has been amended, and the draft version was reviewed at the Local Pension Board and Investment Sub-Committee meetings in February 2021, and was also sent to the employer organisations for consultation. The updated ISS was formally approved at the Committee meeting on 30 March 2021.
That the Fund should adopt the recommendations of the Task force on Climate related Financial Disclosures (TCFD)	The TCFD reporting will feature in the Fund's annual report for 2020/21, and a commitment to this has been added to the revised ISS.
That the Fund should aim to sign up to the 2020 Stewardship Code during 2021	Fund officers have been working with Brunel and other member funds to define an approach to signing up to the 2020 Stewardship Code. An amount of £5,000 is included in the 2021/22 Pension Fund budget to help support this commitment.
That officers will further explore commissioning Mercer to advise on a road map for the Fund to achieve net zero by 2050	Now that the updated ISS has been approved, it will be necessary to commission some consultancy support for the practicalities in implementing the strategy, and therefore a quote for this has been obtained (£65,000) and is included in the 2021/22 budget.
To instruct officers to prepare a paper on the Brunel sustainable equities portfolio, for consideration at the next Investment Sub-Committee and main Pension Fund Committee in March 2021	A paper with more information on the Brunel sustainable equities portfolio was discussed at the Committee meeting on 30 March 2021. Representatives from Brunel have been invited to the Investment Sub-Committee meeting on 10 June 2021 to present on the portfolio.
To publicise the updated ISS and new investment belief and net zero commitment via a press release	Officers have been working with Brunel and the IIGCC (Institutional Investors Group on Climate Change), and will be taking part in a publicity campaign for new asset owners signing up to make net zero commitments in early June 2021.
To reach out to Pension for Purpose to request a training session on impact investing	Once the new Committee is established, a training plan will be developed, and this particular piece of training will be included within this plan.

Key Considerations for the Board / Risk Assessment / Financial Implications

Responsible Investment Action Plan

5. In order to ensure that all the Committee's recent decisions are implemented, officers will be developing a responsible investment action plan, for approval at Committee on 24 June 2021. This will set out:
 - What the Fund has done to date;
 - Where the Fund is now – referencing the risk register, business plan, ISS, etc;
 - The regulatory and legal context;
 - Responsible investment through the Brunel pool;
 - Development of a dedicated responsible investment policy, including a climate statement and action plan;
 - Stewardship, engagement and voting;
 - Collective action;
 - The strategic asset allocation;
 - Resourcing and training (staff and elected members);
 - Reporting and accountability;
 - Engagement with the scheme membership;
 - A detailed roadmap with dates and deliverables.
6. The Board is being informed of this plan so that members can review the approach, and request that this is brought back for monitoring, if deemed appropriate.

Environmental Impacts of the Proposals

7. There is no known environmental impact of this report directly, but the report deals with responsible investment issues which include climate change risk and how the Fund manages its approach to this risk.

Safeguarding Considerations/Public Health Implications/Equalities Impact

8. There are no known implications at this time.

Proposals

9. The Board is asked to note the progress made in developing the Fund's approach to responsible investment issues.

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Unpublished documents relied upon in the production of this report: NONE