

Responsible Investment Update Report

Purpose of the Report

1. The purpose of this report is to update members on responsible investment issues. It is provided in summary; a full update will be reported at the Pension Fund Committee meeting on 26 May 2022.

Key Considerations for Committee

LPB Recommendation – Minute 88

2. The Local Pension Board reviewed the process for updating the Treasury Management Strategy at their meeting on 17 February 2022 and agreed to endorse the process for approval of 2020 Stewardship Code reporting, and the Treasury Management Strategy.

Progress against recent decisions and the actions in the Responsible Investment Plan 2021/22

3. Actions from the recent Committee meetings are as follows. Actions which were reported as complete in the last regular update have been removed:

Recommendation	Action
Members agreed...	
That the Fund should aim to sign up to the 2020 Stewardship Code during 2021.	Officers have completed the draft stewardship report which is presented for review and approval at this 31 March 2022 Committee meeting.
That a Responsible Investment Plan for 2022/2023 would be reviewed annually.	A draft Responsible Investment Plan 2022/2023 is attached/appended to this report.
To authorise officers to work with Mercer to deliver the implementation of the affordable housing and renewable infrastructure portfolios.	Implementation of the affordable housing portfolio is complete, progress against renewable infrastructure will be reported at the 26 May 2022 Committee meeting.

4. The road map from the Responsible Investment Plan 2021/22 is shown on the following page. Progress against actions for Q4 2021 & Q1 2022 is as follows:

Investments and strategy

5. The Fund made specific allocations to renewable infrastructure and impact affordable housing, of 5% each. Implementation of both portfolios is underway.

Reporting and disclosure

6. As follows:

- Officers have developed a stewardship report (**appendix 1**) in line with the 2020 Stewardship Code. This report has been brought to the Committee for approval to be published in April 2022.
- The stewardship report will be submitted to the Financial Reporting Council (FRC) to meet the 30 April application deadline. Confirmation of Stewardship Code signatory status will be confirmed later in Q2 or Q3 2022.
- A 'highlights' summary report (appendix 2) has also been produced. Whilst the main stewardship report has been designed to be informative and useful to clients and/or beneficiaries as well as the FRC, this shorter report is aimed at fund membership and wider stakeholder groups.
- It should be noted that these reports may be updated following the outcome of the LAPF Investments Awards on 29 March 2022 and the Fund's shortlisting for "Best approach to responsible investment".

Training and engagement

7. As follows:

- At the 3 March 2022 meeting, following the proposal of adopting SDGs, discussions moved to ESG more generally and a proposal to consider fiduciary duty in the context of setting a net zero target was raised.
- Officers discussed fiduciary duty with the Scheme Advisory Board secretariat on 8 March 2022 to seek guidance on how this could be managed. It was agreed that including a net zero target in a fund Investment Strategy Statement was in line with the regulations and guidance.
- To provide wider context, the Local Government Chronicle surveyed all 86 LGPS funds and found that many had either set net zero targets or were planning to do so within the next 12 months. [Revealed: the council pension funds with net-zero target dates | Local Government Chronicle \(LGC\) \(lgcplus.com\)](https://www.localgovernmentchronicle.com/news/2022/03/22/revealed-the-council-pension-funds-with-net-zero-target-dates/).

Continues overlead

Responsible Investment Road Map

Q2 2021 -
Investments and strategy: decision on sustainable equities
Reporting and disclosure: TCFD reporting
Training and engagement: Training on impact investing and affordable housing



Q3 2021 -
Investments and strategy: proposals for protection assets, develop and publish Responsible Investment Policy, including climate statement and action plan
Reporting and disclosure: Develop plan for Stewardship Code reporting



Q4 2021 -
Investments and strategy: begin work to implement proposals for protection assets, begin reviewing potential work on other asset classes with respect to climate change and sustainability
Reporting and disclosure: sign up to wider initiatives
Training and engagement: hold membership webinars and develop the information shared on the Fund's website



Q1 2022 -
Investments and strategy: update Investment Strategy Statement
Reporting and disclosure: develop plans for reporting the year's progress in the Annual Report

Responsible Investment Plan 2022/2023

8. All actions in the 2021/22 plan have now been completed. A new Responsible Investment Plan has been developed for 2022/23, **(appendix 3)** and is brought to this meeting for review and approval by the Committee. The 2022/23 RI Plan has been refreshed from last year's version, to include up-to-date information, and contains planned actions that will continue to develop the Fund's approach to responsible investment in order to help deliver sustainable returns into the future.

Environmental Impacts of the Proposals

9. This report includes information on actions and policies which directly deal with addressing climate change risk.

Safeguarding Considerations/Public Health Implications/Equalities Impact

10. There are no known implications at this time.

Proposals

11. The Committee is asked to:

- use this report as a basis for monitoring the progress that is being made towards implementing responsible investment policy;
- approve the draft stewardship report **(appendix 1)** and 'highlights' summary report **(appendix 2)**
- approve the Responsible Investment Plan 2022/23 **(appendix 3)**

Jennifer Devine Head of Pension Fund

Report Author: Liam Robson (Accounting and Investment Officer)

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

Appendices

Appendix 1 – Draft Stewardship Report 2022

Appendix 2 – Highlights Stewardship Report 2022

Appendix 3 – Responsible Investment Plan 2022/23