

Item No. 12.	Classification: Open	Date: 27 September 2023	Meeting Name: Pensions Advisory Panel
Report title:		Responsible Investment Policy	
From:		Senior Finance Manager, Treasury and Pensions	

RECOMMENDATION

1. The pensions advisory panel is asked to review and agree the standalone Responsible Investment Policy for the Fund, at Appendix 1 of this report.

BACKGROUND

2. A Responsible Investment policy (RI policy) plays an important role in setting out an organisation's aspirations and approach to both internal and external stakeholders on how it considers various Environmental, Social & Governance (ESG) aspects as part of its investment decision making process. An RI policy can be developed on a standalone basis or can be integrated into the wider Investment policy.
3. An RI policy has various business purposes, including:
 - i. serving as a starting point to discuss the organisation's position on ESG issues with external and internal stakeholders.
 - ii. clarifying how an investor interprets its fiduciary responsibilities to beneficiaries and others.
 - iii. guiding external asset managers on how they should handle ESG issues.
 - iv. demonstrating the organisation's responsible investment approach to regulators, and other stakeholders.
4. As a commitment to our focus on net-zero and also given the increasing wider discussions on ESG aspects of business operations, we have developed a standalone Responsible Investment policy (RI Policy) outlining our overall process and approach to making investments to achieve a positive environmental and social outcome, whilst also fulfilling our fiduciary duties to our scheme members.
5. The draft RI policy, at Appendix 1, outlines how the Fund will implement responsible investment strategies considering climate and net-zero as a key investment criteria and, where practical, wider ESG considerations across the end-to-end investment lifecycle.
6. The RI policy is aimed to complement existing Fund documentation – particularly the Investment Strategy Statement.

7. In line with industry best practice, the RI policy covers the Fund's strategy, governance and risk management framework in place to integrate climate change and wider ESG parameters into the investment decision making process. The RI policy also covers various operational aspects of the Fund including research, stewardship, advocacy, ongoing monitoring of issues and reporting.

Task Force on Climate-related Financial Disclosures (TCFD) Reporting

8. As part of TCFD reporting, organisations are required to disclose various aspects of their governance, strategy and risk management functions and processes in place in relation to assessing and mitigating climate-related risks and opportunities in their operations. The RI policy we have developed is a starting point to establishing a robust governance framework in relation to climate change and wider ESG considerations of our investments.
9. In the RI policy, we have outlined an overview of the current governance and the risk management structure in place within the Fund while looking at climate and wider ESG metrics. It is therefore a strong starting point for various disclosure requirements under TCFD and we will be able to leverage a significant portion of the work done in developing the RI policy for preparing the TCFD report.
10. We will build on and expand the initial content we have included in the RI policy, particularly the governance and risk management sections, to align with more detailed disclosures under TCFD. Various other operational aspects of the RI policy such as ongoing engagement with external stakeholders, proxy voting and stewardship, will help to embed best practices in our internal processes and in turn help improve quality and transparency of disclosures under TCFD.
11. Advice has been sought from the Fund's investment advisers and incorporated into the policy.

Community, Equalities (including socio-economic) and Health Impacts

Community Impact Statement

12. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

13. There are no immediate implications arising.

Health Impact Statement

14. There are no immediate implications arising.

Climate Change Implications

15. There are no immediate implications arising.

Resource Implications

16. There are no immediate implications arising.

Legal Implications

17. There are no immediate implications arising

Consultation

18. There are no immediate implications arising.

Financial Implications

19. There are no immediate implications arising.

APPENDICES

No.	Title
Appendix 1	Responsible Investment Policy

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director, Finance	
Report Author	Caroline Watson, Senior Finance Manager, Treasury and Pensions	
Version	Final	
Dated	15 September 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	19 September 2023	