

Investment, Governance and Engagement Sub Committee

Item 5 – Paper C

Responsible Investment – Update

Responsible Investment Guidance – Part 1

1.1. Part 1 of the guidance on Responsible Investment has reached a stage where it needs to be discussed by the committee and a decision taken on the recommendation to be made to the Board when it meets on the 6th November. If the Board is content, the intention is to run a short consultation with scheme stakeholders to the end of the year with publication early in the New Year. A copy of the draft guidance is available as an attachment to this email.

1.2. The aim of Part 1 of the guidance is to assist those responsible for investment decision making in the LGPS to recognise their responsibilities for developing and maintaining responsible investment policies according to scheme regulations, statutory guidance and the general public law. The aim is also to give investment decision makers a clear indication of the extent to which they can take into account non-financial factors without straying outside these duties. It also reflects, where appropriate, the government's response to recent Law Commission reports on Fiduciary Duty and Social Investment and the regulations introduced recently for schemes based on trust law.

1.3. The guidance will also assist those responsible for investment decision making and local pension boards in their compliance role to ensure that they are acting in accordance with scheme regulations and statutory guidance relevant to responsible investment.

1.4. As well as Board and committee members, the consultation would be extended to include the Chairs of pension committees and local pension boards, CIPFA, LAPFF, PIRC, ALATS, PLSA, MHCLG, the Pensions Regulator, DWP, trade unions and the CPCG Responsible Investment Group.

1.5. Work on Part 2 of the guidance will commence early in the New Year with the main focus being on the journey along the spectrum of capital which can be used to chart where an administering authority's responsible investment policy sits between two extremes, that is, at one end of the spectrum, the sole aim to achieve long term financial returns, to the other, the sole aim of investing for social or ethical impact with no aspiration to achieve financial returns. Details of the information and resources available to assist administering authorities in making this journey will be included in the guidance. It will also include practical case studies to demonstrate how fund authorities have been able to integrate ESG and impact investment policies into their investment strategies.

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Recommendation – that the committee agrees the draft guidance and recommends to the Board that consultation with scheme stakeholders should be undertaken during the remainder of 2019.