



PENSIONS COMMITTEE

10 DECEMBER 2019

Subject Heading:

**STATEMENT OF INVESTMENT
BELIEFS UPDATE**

SLT Lead:

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Policy context:

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Investment Strategy Statement

Financial summary:

No immediate cost implications

The subject matter of this report deals with the following Council Objectives

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

SUMMARY

This report provides members with an update on the development of an evolving Statement of Investment Beliefs

RECOMMENDATIONS

That the Committee:

1. Consider the proposed updated draft wording to the responsible investment policy as set out in **Appendix A** (Appendix 2).
2. Directly consider Environmental, Social and Governance (ESG) and climate risk considerations as part of its forthcoming equity review, and
3. Agree to more direct scrutiny of its equity investment managers on their stewardship and, where appropriate, challenge managers on the action they have taken

REPORT DETAIL

This reports follows on from previous discussions and decisions made by the Pensions Committee in the ongoing evolution and development of its approach to responsible investment and how those investment beliefs may impact on the Investment Strategy and the investment process.

Hymans have produced a paper for the committee to consider (Appendix A refers), which as a starting point sets out what actions the Committee could pursue in its approach to responsible investment

At the Pensions Committee meeting on the 19th March 2019 members agreed a set of investment beliefs as set out in Hymans report (Appendix A, see Appendix 1 within their report).

They also agreed at that meeting the next steps in finalising a formal Statement of Investment Beliefs for inclusion in the Fund's Investment Strategy Statement (ISS). Hymans has now drafted some additional wording for inclusion into the ISS. This is set out in the tracked changes version of Hymans report (Appendix A, see Appendix 2 within their report).

If the revised wording is agreed then these will be incorporated into the review of the ISS which is expected to be presented to the committee later in the year.

Having a clear set of investment beliefs can improve governance by providing a framework for all investment decisions and will form part of the overall investment process.

IMPLICATIONS AND RISKS

Financial implications and risks:

It is recognised that a range of ESG factors could influence return from investments and in adopting a statement of beliefs but it will mitigate the risk of scrutiny of the committee's investment decisions as having a statement of investment beliefs in place will provide rationale for the decision making process.

Legal implications and risks:

There is no statutory obligation to produce a Statement of Investment Beliefs but as mentioned in the report it can help achieve good governance as establishing a Statement of Investment Beliefs will underpin the investment decisions that the Committee take in driving forward and setting objectives within the ISS.

Currently the Council has a broad discretion to take non-financial considerations into account in its investment strategy. The Secretary of State has issued guidance to Local Authorities on the exercise of their discretion on non-financial considerations which has been subject to challenge in the Courts. The Court of Appeal has ruled in favour of the Secretary of State but that Court's decision is subject to an appeal to the Supreme Court and therefore Members will need to be aware that this area is potentially subject to change.. (on the application of Palestine Solidarity Campaign Ltd) v Secretary of State for Communities and Local Government [2018] EWCA Civ 1284.

Human Resources implications and risks:

There are no immediate HR implications.

Equalities implications and risks:

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- i. the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- ii. the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- iii. foster good relations between those who have protected characteristics and those who do not.

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Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment/identity.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants

An EIA is not considered necessary regarding this matter as the protected groups are not directly or indirectly affected

BACKGROUND PAPERS

Background Papers List

None