



PENSIONS COMMITTEE

17 March 2020

Subject Heading:

**RESPONSIBLE INVESTMENT:
MANAGER REVIEW**

SLT Lead:

Jane West

Report Author and contact details:

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Policy context:

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Responsible investment issues as set out
in the Investment Strategy Statement

Financial summary:

No financial 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

The attached report, produced by the Fund's Investment Advisor (Hymans), presents a summary on the responsible investment activities, of the Fund's investment managers in support of the Committee's ongoing monitoring requirement as set out in the Investment Strategy Statement. The review focused on the period for the year to **30 June 2019**.

RECOMMENDATIONS

That the committee:

1. Note Hymans summary review of fund manager voting and engagement activity attached as Appendix A and Appendix B (Exempt).
2. Consider and agree the potential next steps in respect of future developments of the monitoring and review process as outlined in Hymans report (Appendix B - exempt).

REPORT DETAIL

1. Background

1. The engagement and voting activity is largely delegated to the Fund's investment managers with the Fund reviewing their approach on an annual basis. Hymans carried out a review of the activity undertaken by the managers. The review focused on the period for the year to **30 June 2019**.
2. The attached report from the Fund's Investment Advisor (Hymans), summarises the Fund's investment managers' responsible investment activities in support of the Committee's ongoing monitoring requirement as set out in the Investment Strategy Statement (ISS).
3. The report has been split into two sections:
 - **Appendix A** - includes factual data from the managers. Carbon Risk exposure is included within in this appendix along with manager's compliance with industry governance standards and summaries of voting and engagement activities.
 - **Appendix B (Exempt)** – includes qualitative comments and Hymans recommendations on potential next steps for the fund.
4. The Committee is reminded that they agreed to update the Investment Strategy Statement to incorporate the members 'Statement on Investment Beliefs' as agreed at the 10 December 2019 meeting and that the committee, amongst other beliefs, adopted the belief that effective

stewardship can be achieved through voting and engagement to influence corporate behaviours. They also agreed to an increased direct scrutiny of its equity investment managers on their stewardship and, where appropriate, challenge managers on the action they have taken. Officers will explore with Hymans the establishment of a responsible investment monitoring mechanism in accordance with the summary of their report as the next steps shown in Appendix B (exempt).

5. London CIV's current Responsible Investment policy is under review. LCIV issued a questionnaire to Funds seeking their input on this process towards the end of 2019. An update is anticipated in early 2020. Hymans will consider implications of LCIV's updated policy on the Fund once this has been finalised.

IMPLICATIONS AND RISKS

6.

Financial implications and risks:

Incorporated within the background of the report but would highlight the Pensions Committee view that, non-financial factors should not drive the investment process to the detriment of the financial return of the Fund and Investment Managers have been given full discretion over day to day decision making.

Add Risk Register FSS

Legal implications and risks:

In a case decided on appeal in June 2018, R. (on the application of Palestine Solidarity Campaign Ltd) v Secretary of State for Communities and Local Government, the Court of Appeal considered the guidance issued by the Secretary of State on investment strategy for local government pension schemes. The Court of Appeal held that it was lawful for the secretary of state to provide, in the statutory guidance governing the investment strategy for the local government pension scheme, that administering authorities should not use pension policies to pursue boycotts, divestment and sanctions against foreign nations.. The particular issue related to the boycott of Israeli investments as a protest against the occupation of the West Bank and Gaza Strip. However, this may have wider implications. At present the decision is subject to appeal to the Supreme Court.

As the law currently stands Local Authorities are able to take into account non-financial considerations in respect of its investment strategy, subject to the general

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administrative principles of fairness and reasonableness, and subject to any Guidance issued by the Secretary of State.

In terms of the statutory Guidance in addition to the issue which was the subject of the case above, the Guidance states:

“Although schemes should make the pursuit of a financial return their predominant concern, they may also take purely non-financial considerations into account provided that doing so would not involve significant risk of financial detriment to the scheme and where they have good reason to think that scheme members would support their decision.”

Otherwise there are no apparent legal implications in noting the content of the Report and considering the recommendations for the potential next steps set out in Appendix B.

Human Resources implications and risks:

None arise from this report.

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.

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

None arise from this report as this report is required to be published in order to comply with Local Government Pension Scheme Regulations 2013.

BACKGROUND PAPERS

None