



PENSIONS COMMITTEE

30 JULY 2024

REPORT TITLE:	DRAFT RESPONSIBLE INVESTMENT POLICY
REPORT OF:	DIRECTOR OF PENSIONS

REPORT SUMMARY

The purpose of this report is to provide Pensions Committee with a draft of the Fund's Responsible Investment (RI) policy. The policy has been the subject of discussion and development with the Fund's Investment Advisors, Redington, at recent Investment Monitoring Working Party.

RECOMMENDATION/S

That the Pensions Committee be recommended to consider and approve the policy.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 The Fund's RI policy was last reviewed in 2018/19 following an assessment of the Fund's investment beliefs and taking account of the Northern LGPS) RI policy. Redington was appointed in December 2022 and has been working with elected members, Board members, officers and other stakeholders in reviewing and updating the Fund's RI policy as a part of its work on stewardship and sustainability.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not relevant for this report. The Fund's RI policy is material to the governance and implementation of investment strategy and should be reviewed and approved by those charged with governance.

3.0 BACKGROUND INFORMATION

- 3.1 The Fund's RI policy was last reviewed in 2018/19 following an assessment of the Fund's investment beliefs. Redington was appointed in December 2022 with a remit to advise on the Fund's strategic asset allocation and support a major programme of change to investment strategy. In support of this, a survey was undertaken by Redington in mid-2023 to capture key stakeholders' views on environmental, social and governance factors (ESG) with the results reported to the Investment Monitoring Working Party (IMWP) on 6th September 2023. Members of the Pension Board were included in the survey. The survey highlighted the desire of the Fund to be at the forefront of best practice in this area. The survey showed strong support for having specific areas for focus in terms of policy and engagement, namely climate change and biodiversity, human rights and corporate governance and these have been incorporated within the draft RI Policy.
- 3.2 Following the establishment of the Responsible Investment Working Party (RIWP), the updated policy was reviewed in detail at its inaugural meeting on 21st February 2024. In accordance with discussion at the RIWP, the policy has been updated further to reflect an additional focus on transparency and disclosure with an additional belief (Belief 5 – Transparency & Accountability) along with additional detail on how it will deliver transparency through communicating with key stakeholders captured in Section 8.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are none arising directly from this report. The Fund's stated policy is that engagement and good stewardship of assets are key levers through which the Fund can influence investments and their interaction with the real world. The Fund will seek to use engagement and stewardship as a primary lever to influence and bring about change for good but recognises there can be occasions where these mechanisms are not delivering and will follow a process as set out in its engagement framework to determine whether exclusion or divestment is the most appropriate action. At present, any exclusions are very limited and implemented by the Fund's external investment managers in accordance with their policies. Should exclusions

become more extensive, there may be performance and risk implications for the Fund.

5.0 LEGAL IMPLICATIONS

5.1 There are none arising directly from this report. There is a statutory requirement for a fund to have an investment strategy statement which must include a statement on 'how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments'. Statutory guidance recommends that the views of the Local Pension Board and other interested parties is taken into account when making an investment decision based on non-financial factors.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are none arising directly from this report. The provision of advice on stewardship and engagement matters carries a cost and there is a commensurate commitment of staff time and effort according to the extent of these activities.

7.0 RELEVANT RISKS

7.1 There are a number of potential risks arising from the Fund's investment activities such as climate risk or reputational risk which can be managed better through active stewardship and engagement, particularly when undertaken collaboratively with other investors. As set out in section 4, the more restricted the universe within which an investor operates, the greater the opportunity for adverse outcomes.

8.0 ENGAGEMENT/CONSULTATION

8.1 The views of stakeholders have been sought through the surveys undertaken in the development of this policy. The policy has been considered by the Local Pension Board.

9.0 EQUALITY IMPLICATIONS

9.1 There are no equality implications arising directly from this report. In developing the RI policy, human rights have been identified as one area of particular importance to the Fund and its beneficiaries.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 The Fund's Responsible Investment policy seeks to address environmental and climate implications in relation to its investments. Environmental and climate risks are also addressed in the Fund's Investment Strategy Statement.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are none arising from this report.

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APPENDICES

Appendix 1 Draft RI Policy

The PDF file may not be suitable to view for people with disabilities, users of assistive technology or mobile phone devices. Please contact emmalittler@wirral.gov.uk if you would like this document in an accessible format.

BACKGROUND PAPERS

LGPS Guidance on preparing and maintaining an investment strategy statement
CIPFA: Risk Management in the LGPS

TERMS OF REFERENCE

This report is being considered by the Pensions Committee in accordance with section (a) of its Terms of Reference:

- (a) To be responsible for the overall investment policy, strategy and principles of the Fund and its overall performance.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date