

**Report for: Pension Fund
Committee**

Date of Meeting:	13 September 2021
Subject:	Environmental, Social and Governance (ESG) Reporting
Responsible Officer:	Dawn Calvert – Director of Finance and Assurance
Exempt:	Yes – (Appendices 1 and 2 only) Exempt from publication under paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)
Wards affected:	Not applicable
Enclosures:	Exempt Appendix 1 – LCIV Quarterly LLA Investment Report – Q2 2021 Appendix 2 – (Aon) - ESG reporting template

Section 1 – Summary and Recommendations

Further to discussions at the last meeting, this report considers the development of ESG reporting for the LBH Pension Fund.

Recommendations:

The Committee is recommended to consider and comment on the approach set out in this report.

Section 2 – Report

1. The LGPS (Management and Investment of Funds) Regulations 2016 require that the Fund's Investment Strategy Statement (ISS), should include details of the authority's policy on ESG matters. The ISS is reviewed elsewhere on this agenda. At the committee's last meeting, members requested further information on ESG reporting. This report provides some background for consideration and includes an example of what the Fund currently receives.
2. A significant part of the focus of this subject is directed towards environmental and climate change issues. During the recent review of the Fund's investment strategy, the Committee made decisions which have improved the Fund's position in this regard – i.e.
 - allocated 8% of its assets to the LCIV Sustainable Equity Fund (replacing another manager)
 - approved the transfer of its passive equity portfolio managed by Blackrock (24% of the Fund), to a Low Carbon passive fund.
 - Approved an allocation of 5% of its assets to the LCIV Renewables Fund

Blackrock will be presenting at the training session to be held before this meeting, and will explain in detail how the low carbon fund achieves the reduction in exposure to those assets, how they address other aspects of ESG, including voting, influencing companies in which shares are held about matters such as employee working conditions and harmful impacts in the places where they operate, and how they report this.

3. At the last meeting, members asked about ESG reporting for the Fund as a whole. There are several challenges to reaching a point where this can be achieved quantitatively on a consistent and meaningful basis, including
 - The amount of information currently available varies significantly between types of assets – e.g. there is more about equities than fixed income or private markets
 - There is currently not a single standard against which companies / managers measure and report this data
 - The extent to which investors can influence and hold organisations to account is greater in the case of equities (through shareholder voting rights) than in other asset classes.
 - The Fund does not invest directly in any companies - all of its investments are held in pooled funds. Consequently, LBH does not have direct voting rights – it therefore relies on its chosen fund managers to exert influence through voting and other measures as appropriate.
4. As an example of what is currently available / received, the London CIV's ACS Quarterly LPP report to 30 June 2021 is attached as appendix 1 (Exempt). The report covers only those LCIV investments which are part of the ACS – i.e. the equity and fixed income investments. The London CIV (at the request of client funds) has been working to develop ESG reporting across the range of funds it manages. The detail of individual funds, which begins on page 15 of the report, includes a section on ESG activity, initiatives, (voting – equities only) and climate change for each fund.

5. Officers will work with the fund's other managers to ascertain what their current ESG reporting is and how this can be developed.
6. Aon has undertaken some work in this area, and has developed a reporting template which is attached at Appendix 2 (Exempt).
7. The Committee is asked to consider the report and advise on how it would like to develop this reporting further.

Legal Implications

8. There are no direct legal implications arising from this report. As indicated above, the Fund is required to publish its Investment strategy Statement to comply with the LGPS (Management and Investment of Funds) Regulations 2016.

Financial Implications

9. Whilst the financial health of the Pension Fund directly affects the level of employer contribution which, in turn, affects the resources available for the Council's priorities there are no impacts arising directly from this report.

Risk Management Implications

10. The Pension Fund's Risk Register is reviewed regularly by both this Committee and by the Pension Board. The latest review was carried out at the 24th June meeting of the Committee.
11. There are no specific risk management implications arising from this report. The level of risk to which its investments are exposed is a key component in developing the Fund's investment strategy.

Equalities implications / Public Sector Equality Duty

12. Was an Equality Impact Assessment carried out? No
There are no direct equalities implications arising from this report.

Council Priorities

13. The performance of the Pension Fund directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 31/08/2021

Statutory Officer: Joane Mohan

Signed on behalf of the Monitoring Officer

Date: 31/08/2021

Chief Officer: Charlie Stewart

Signed by the Corporate Director

Date: 31/08/2021

Mandatory Checks

Ward Councillors notified: Not applicable

Section 4 - Contact Details and Background Papers

Contact: Jeremy Randall – Interim Pensions Manager

Email: Jeremy.randall@harrow.gov.uk

Telephone 020 8736 6552

Background Papers: None