

| Report for: | Pension Board  |
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| Date of Meeting: | 2 March 2023 |
| Subject: | Draft Responsible Investment Policy |
| Responsible Officer: | Dawn Calvert – Director of Finance and Assurance |
| Exempt: | No |
| Wards affected: | Not applicable |
| Enclosures: | Appendix 1 – Draft Responsible Investment PolicyAppendix 2 – Investment Strategy Statement |

| Section 1 – Summary and Recommendations |
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| The Pension Fund Committee will be asked to approve the draft Responsible Investment Policy, together with consequential changes to the Investment Strategy Statement, at its forthcoming meeting on 29 March 2023. This report provides the Board with an opportunity to comment on the draft Policy.**Recommendations:** The Board is requested to consider the draft Policy and to make such comments as it considers necessary for consideration by the Pension Fund Committee at its forthcoming meeting. |

## Section 2 – Report

1. The LGPS (Investment and Management of Funds) Regulations 2016 set the framework within which LGPS pension funds are required to manage their investments. They are required to have an Investment Strategy Statement (ISS) – which sets out how the Fund will manage and invest its assets to enable it to meet its Funding Strategy.
2. The Regulations include a requirement for funds to have a policy setting out how environmental, social and governance (ESG) considerations are considered in the selection, non-selection, retention and realisation of investments. For LBH, the Investment Strategy Statement contains that information.
3. With growing concern about climate change, a greater awareness of social issues such as working conditions and governance issues including equality, diversity and executive remuneration, it is now considered best practice for LGPS Funds to have a standalone Responsible Investment (RI) Policy. The likely introduction of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) – reported to the Board in October 2022 highlights this further.
4. The Pension Fund Committee initially discussed this issue at an informal briefing in July 2022 and agreed that the morning of the “Training and Meet the Manager” day in October would be devoted to RI training. Accordingly, a workshop training session was led by Jennifer O’Neill – an RI specialist from the Fund’s Investment Consultant (Aon).
5. Following that meeting, the Committee members completed a survey to determine their “Investment Beliefs” and this was used to develop a draft RI Policy, which was considered by the Committee in November 2022.
6. Following that meeting, further work has been undertaken, and a draft policy is now attached **– appendix 1**. The Board is asked to consider and comment on the draft, and any comments will be reported to the Committee when it is asked to approve the Policy at its meeting on 29 March 2023.
7. The Policy sets out the Committee’s Investment beliefs, and how these will be translated / implemented via the Investment Strategy.
8. As a consequence of the Policy, some changes are required to update the Fund’s Investment strategy Statement – the updated version is attached as **appendix 2**. The changes are highlighted in red. The Board is again asked to consider and comment on the draft, and any comments will be reported to the Committee when it is asked to approve the Policy at its meeting on 29 March 2023.

## Legal Implications

1. There are no direct legal implications arising from this report.
2. The terms of reference for the Board include the Board’s role as set out in the following paragraphs.
3. The role of the Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013, is to assist the Administering Authority (London Borough of Harrow) as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including:
* securing compliance with the LGPS regulations and other legislation relating to the governance and administration of the LGPS;
* securing compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
* such other matters the LGPS regulations may specify.
1. The Administering Authority retains ultimate responsibility for the administration and governance of the scheme.  The role of the Board is to support the Administering Authority to fulfil that responsibility.
2. In its role, The Board will have oversight of the administration of the fund including:

a.            The effectiveness of the decision-making process

b.            The direction of the Fund and its overall objectives

c.            The level of transparency in the conduct of the Fund’s activities

d.            The administration of benefits and contributions

1. The Board will provide the Scheme Manager with such information as it requires to ensure that any Member of the Board or person to be appointed to the Board does not have a conflict of interest.
2. The Board will ensure it effectively and efficiently complies with the Code of Practice on the Governance and Administration of Public Service Pension Schemes issued by the Pensions Regulator.  It will help to ensure that the Fund is managed in the same way.
3. The Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively.

## Financial Implications

1. Whilst the performance and effective controls of the fund managers is of paramount importance in the performance of the Pension Fund, there are no direct financial implications arising from this report.

## Risk Management Implications

1. The Pension Fund’s Risk Register is reviewed regularly by both the Pension Fund Committee and by the Board. The next review will be considered by the Board at this meeting.
2. 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

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

## Council Priorities

1. 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: 17/02/2023**

**Statutory Officer: Sharon Clarke**

Signed on behalf of the Monitoring Officer

**Date: 16/02/2023**

**Chief Officer: Dawn Calvert**

Signed on behalf of the Chief Executive

**Date: 17/02/2023**

## 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