

Croydon Council

REPORT TO:	Pension Committee 19 September 2023
SUBJECT:	Responsible Investment Policy
LEAD OFFICER:	Matthew Hallett – Acting Head of Pensions and Treasury

1. RECOMMENDATION

- 1.1 The Committee are asked to review and agree the draft Responsible Investment Policy attached as Appendix A.

CORPORATE PRIORITY / POLICY CONTEXT

Sound Financial Management: This report asks the Committee to consider a draft Responsible Investment Policy required for the proper administration of the Pension Fund.

The decision supports the Council priority of OUTCOME 1 “Balances the books, listens to residents and delivers good, sustainable services.”

FINANCIAL SUMMARY:

There are no direct financial implications associated with this Report but it advises the Committee of administrative arrangements which assist in the management of the Fund and which could have an impact on the General Fund of the Council.

2. EXECUTIVE SUMMARY

- 2.1 This report presents a draft Responsible Investment Policy for the Pension Fund for consideration by the Committee.

3 DETAIL

- 3.1 Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, inter alia, places the following requirements on the Administering Authority in relation to the Investment Strategy:

(1) An authority must, after taking proper advice, formulate an investment strategy which must be in accordance with guidance issued from time to time by the Secretary of State

(2) The authority's investment strategy must include—

(e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and

(f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.

3.2 To date, the Fund's Responsible Investment Policy (Environmental, Social and Governance Policy) has been included as Paragraph 6 of the Investment Strategy Statement but it is now considered appropriate to produce a Policy in its own right.

3.3 Attached as Appendix A is a Policy proposed for the Fund as drafted by Mercer, the Fund's Investment Adviser. To define "Responsible Investment" and summarise the contents of the Policy Mercer state as follows:

Responsible Investment ("RI") has been defined as encompassing both financial and non-financial factors, bringing together ESG factors and broader systemic issues, e.g. climate change and sustainable development, along with active ownership (stewardship and voting) as these can have a material impact on financial performance.

3.4 The Committee are asked to comment on and agree the Responsible Investment Policy attached as Appendix A.

4. CONSULTATION

4.1 The draft Investment Policy has been prepared by Mercer, the Fund's Investment Adviser in consultation with Council officers.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 There are no financial or risk assessment considerations arising from this report.
Approved by: Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

6. LEGAL CONSIDERATIONS

- 6.1. Burgess Salmon LLP (a legal advisor appointed to the Pension Fund) comments that there is growing scrutiny of ESG considerations in the operation (including investments) of LGPS funds together with anticipated additional obligations on reporting (expected next year)

7. HUMAN RESOURCES IMPACT

- 7.1 There are no immediate workforce impacts arising from the content of this report.

Approved by: Gillian Bevan, Head of HR, Resources and Assistant Chief Executives directorates on behalf of Dean Shoesmith, Chief People Officer.
Date 5.9.23

8. EQUALITIES IMPACT

- 8.1 The Council has a statutory duty to comply with the provisions set out in the Equality Act 2010. In summary, the Council must in the exercise of all its functions, “have due regard to” the need to comply with the three aims of the general equality duty. These are to:
- Eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act
 - Advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
 - Foster good relations between people who share a protected characteristic and people who do not share it.
- 8.2 Having due regard means to consider the three aims of the Equality Duty as part of the process of decision-making. This means that decision makers must be able to evidence that they have taken into account any impact of the proposals under consideration on people who share the protected characteristics before decisions are taken.

Approved by: Naseer Ahmad for Equality Programme Manager. (08/09/2023)

9. ENVIRONMENTAL IMPACT

- 9.1 There are no environmental impacts arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There are no crime and disorder impacts arising from this report.

11. DATA PROTECTION IMPLICATIONS

11.1 Will the subject of the report involve the processing of 'personal data'?

No.

Has a data protection impact assessment (DPIA) been completed?

No. This report relates to matters relating to the administration of the LGPS and the Croydon Pension Fund.

Approved by: Allister Bannin on behalf of Jane West, Corporate Director of Resources (Section 151 Officer)

CONTACT OFFICER:

Matthew Hallett – Acting Head of Pensions and Treasury.

BACKGROUND DOCUMENTS:

None.

APPENDIX:

Appendix A: Responsible Investment Policy