

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	25 September 2015	AGENDA ITEM NUMBER
TITLE:	REVIEW OF RESPONSIBLE INVESTING POLICY - SCOPE	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Responsible Investing Policy		

1 THE ISSUE

- 1.1 Responsible investing (RI) issues can have a material impact on investment risk and return in the long term and these issues are considered within the Fund's strategic investment policy. As an asset owner the Fund has a duty to ensure it carries out its stewardship duties effectively.
- 1.2 The Fund periodically reviews all its policies to ensure the investment strategy evolves over time by incorporating relevant investment opportunities and managing investment risk as effectively as possible. Since the last review of its Responsible Investing Policy in 2012 there have been developments in investment research, RI themes, governance standards and products available for investing responsibly. In addition, various campaign groups focussing on specific assets have lobbied the Fund at different times. Given these developments, it is proposed that the policy is reviewed to ensure all issues can be considered in a holistic way which is consistent with and supports the objectives of the investment strategy.
- 1.3 This paper describes the proposed aims and scope of the review, for agreement by the Committee.

2 RECOMMENDATION

That the Committee

- 2.1 **Agrees the scope for the Review of the Responsible Investing Policy as set out in section 5.1-5.3.**
- 2.2 **Agree to fund the costs of the review to an initial limit of £25,000.**

3 FINANCIAL IMPLICATIONS

- 3.1 There is no provision in the 2015/16 budget for investment advice relating to the review of the Responsible Investing Policy. However based on previous experience of the 2012 review the budget required would be in the region of £25,000.

4 BACKGROUND

- 4.1 The Responsible Investing Policy (see Appendix 1) is part of the investment strategy and brings together all the aspects of the Fund's policies and activities that contribute to its responsible investing objectives. The objectives, beliefs and policy were agreed in June 2012.

4.2 The current policy

- a) incorporates the long term RI risks to which the Fund is exposed into strategic and operational (i.e. the investment manager's) decision making, and
- b) ensures the Fund carries out its duties as a responsible investor. The policy reflects the Fund's current investment management structure, internal resources and governance framework.

- 4.3 The policy demonstrates how the Fund will implement these beliefs within the strategic and operational decision-making processes. It recognises that the Fund's strategic policy will develop over time and allows flexibility to manage RI issues within an evolving strategy. The policy also sets out how the Fund will monitor and disclose its activities in respect to RI issues.

4.4 The current policy is underpinned by RI beliefs as follows:

- a) Responsible Investment issues can have a material impact on investment risk and return in the long run and therefore should be considered within the strategic investment policy
- b) Because Responsible Investment issues can impact underlying investments, investment managers should demonstrate a risk based approach to responsible investing issues within their investment decision-making process and where they engage with companies
- c) The Fund has a responsibility to carry out its stewardship duties effectively by using its influence as a long term investor to encourage responsible investment behaviour

- 4.5 The current policy allows flexibility for all investment approaches to managing RI risks to be adopted as long as it is aligned with the strategic investment objective.

5 REVIEW OBJECTIVE AND SCOPE

5.1 The objective of the review is as follows:

- (1) To ensure all aspects of RI have been considered and reflected as appropriate within the policy consistent with the overall investment objectives and strategy

5.2 The scope of the review is as follows:

- (1) Understand the changes to RI themes and emergent risk and opportunities including the evolution of information and products;

- (2) Review the current policy including the objectives and beliefs to identify areas which may be impacted by findings from (1) above;
- (3) Consider any revisions to the policy how they could be implemented within the portfolio;
- (4) Review the investment policy regarding exclusion of specific assets;
- (5) Make recommendations to the Committee on any proposed changes which improve the risk/return position within the investment strategy.

5.3 The review will be undertaken by Mercers, who have significant expertise in sustainability and responsible investing.

5.4 It is intended that the subject matter will be discussed at a number of workshops and a final report and recommendations will be presented to Committee no later than the September meeting in 2016.

6 RISK MANAGEMENT

6.1 The Avon Pension Fund Committee is the formal decision-making body for the Fund. As such it has responsibility to ensure adequate risk management processes are in place. It discharges this responsibility by ensuring the Fund has an appropriate investment strategy and investment management structure in place that is regularly monitored. The creation of an Investment Panel further strengthens the governance of investment matters and contributes to reduced risk in these areas.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary as the report contains only recommendations to note.

8 CONSULTATION

8.1 N/a

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 Set out in the report.

10 ADVICE SOUGHT

10.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director – Business Support) have had the opportunity to input to this report and have cleared it for publication.

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Background papers	
Please contact the report author if you need to access this report in an alternative format	