



Committee report

Committee	ISLE OF WIGHT PENSION FUND COMMITTEE
Date	16 FEBRUARY 2022
Title	ESG/RI UPDATE
Report of	TECHNICAL FINANCE MANAGER

EXECUTIVE SUMMARY

1. This report provides an update on activities the fund has undertaken in its consideration of Environmental, Social and Governance (ESG) factors and Responsible Investment (RI) activities since the last committee meeting in November 2021.

RECOMMENDATION

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| 2. That the Committee notes the information contained within this report. |
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ESG/RI WORKING GROUP

3. The ESG/RI working group of this committee has not met since the last committee meeting, other than for the development session held on 26 January 2022, covering the ACCESS pool's draft ESG/RI guidelines.
4. Future meetings of this group have yet to be convened.

LOCAL AUTHORITY PENSION FUND FORUM (LAPFF)

5. Following the committee's approval at its 24 November 2021 meeting, the fund is now a member of LAPFF, and nominated contacts have been given access to the LAPFF secure website for members.
6. Both the vice-chair of the committee and the Technical Finance Manager attended the most recent LAPFF Members Business Meeting held on 26 January 2022. The papers for these meetings are not made public, but are available on the LAPFF secure website.

7. The key items discussed at that meeting were:
 - (a) The conclusion of the LAPFF project on “Mining and human rights” – the report from which will be published in due course.
 - (b) Consideration of a report on LAPFF’s engagement report, which will again be published in due course.
 - (c) Detailed reports on engagement activity over the last quarter, which will ultimately be published in the Quarterly Engagement Report.
 - (d) An update on the Just Transition All Party Parliamentary Group inquiry.
 - (e) Draft LAPFF budget and work plan for 2022-23.
 - (f) Future meeting dates.
8. LAPFF are running a “Say on Climate” event on Wednesday 23 February 2022, which is open to LAPFF members. The next LAPFF members’ business meeting is scheduled for Wednesday 13 April.
9. The fund can nominate other contacts to receive emails and updates from LAPFF, and other committee members may attend business meetings if they wish. Please let the Technical Finance Manager know if you wish to be added to the LAPFF contact database.

SCHEME ADVISORY BOARD: RESPONSIBLE INVESTMENT ADVISORY GROUP

10. The Scheme Advisory Board (SAB) Responsible Investment Advisory Group (RIAG) met on 5 January 2022, with discussions including the letter sent to all chairmen of LGPS pension fund committees on 22 November 2021, from Mr Michael Lynk, the UN Special Rapporteur on the situation of human rights in the Occupied Palestine Territory.
11. The letter sets out a number of requests for actions regarding investments in companies listed in the Office of the United Nations Human Rights Council’s (OHCHR) database of business enterprises involved in certain specified activities related to the Israeli settlements in the Occupied Palestine Territory. These requests included:
 - To conduct enhanced human rights due diligence for all companies that are listed in the OHCHR Database, as well as others beyond the scope of the database that may be involved in the illegal Israeli settlement economy. This should include using leverage to influence investee companies to desist from involvement in the settlement economy, as well as accounting for steps taken by LGPS funds in this regard.
 - To divest LGPS funds of holdings in any of the companies that are listed in the database, if the company cannot give clear assurance that it itself has removed itself entirely from the settlement economy.
 - To ensure that holdings in companies in high-risk, conflict-affected areas (wherever they may be in the world) are a priority for LGPS funds’ ESG strategies, and provisions should be made within the funds’ Investment Strategy Statement.

12. The Chair of the SAB and the chair of the LAPFF met with Mr Lynk on 22 January 2022 to discuss his letter, and it was agreed that a further meeting would be held to continue the dialogue.
13. Further information, including a copy of the letter, notes of the SAB discussions and details of the meeting with Mr Lynk can be found on the SAB website, linked in Background Documents at the end of this report.

LGPS CONSULTATION ON TCFD

14. The RIAG meeting on 5 January 2022 received an update from the Department for Levelling Up, Housing and Communities (DLUHC) in respect of the long awaited consultation on the disclosure requirements from the Taskforce for Climate-related Financial Disclosures (TCFD).
15. The DLUHC representative stated that this matter was considered by Ministers along with broader investment matters but was unable to confirm when the consultation was likely to take place.
16. As a result of the above, it seems unlikely that Regulations will be made in time for the previously stated implementation date of 1 April 2022. Further updates will be provided in due course.

IMPACT INVESTING

17. At the RIAG meeting on 5 January 2022 a representative from the Local Government Association (LGA) reported that there is likely to be central government interest in national LGPS exposure to productive capital and impact investing.
18. The Impact Investing Institute defines impact investments as “investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.”
19. The Technical Finance Manager and Cllr Quigley have recently attended some events organised by Pensions 4 Purpose in conjunction with the Impact Investing Institute to gain information about “place based impact investing”.
20. A discussion with Schroder Asset Management, who currently manage the fund’s property portfolio, is being planned to consider whether they may have opportunities for the fund to increase its social impact through real estate investment.
21. Information is also being provided to Pensions 4 Purpose about the fund’s current strategic asset allocation, with the intention of inviting them to deliver a development session to the committee in due course.

CORPORATE PRIORITIES AND STRATEGIC CONTEXT

22. The recommendation and actions in this report do not directly impact on any of the corporate priorities outlined in the [Corporate Plan 2021 – 2025](#).

FINANCIAL / BUDGET IMPLICATIONS

23. The costs of the pension fund's ESG/RI activities, including the membership of LAPFF, are borne by the pension fund's budget. There is no direct implication for the council's revenue or capital budget.

LEGAL IMPLICATIONS

24. There no legal implications arising from this update.

EQUALITY AND DIVERSITY

25. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
26. The update provided in this report has no implications for any of the protected characteristics.

BACKGROUND PAPERS

27. Scheme Advisory Board website
<https://lgpsboard.org/index.php>
28. Scheme Advisory Board Responsible Investment Project website
<https://lgpsboard.org/index.php/projects/responsible-investment>
29. Impact Investing Institute website: Introduction to impact investing
<https://www.impactinvest.org.uk/modules/introduction-to-impact-investing/>

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