



## **LOCAL PENSION COMMITTEE – 21 JANUARY 2022**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **DRAFT RESPONSIBLE INVESTMENT PLAN**

##### **Purpose of the Report**

1. For the Committee to approve the Responsible Investment (RI) Plan 2022 (Appendix A) to enable the Leicestershire Pension Fund (the Fund) to further improve management of responsible investment risks.

##### **Background**

2. The term ‘responsible investment’ refers to the integration of financially material environmental, social and corporate governance (“ESG”) factors into investment processes. It has relevance both before and after the investment decision and is a core part of our fiduciary duty. It is distinct from ‘ethical investment’, which is an approach in which the moral persuasions of an organisation take primacy over its investment considerations.
3. The term stewardship is defined by the Financial Reporting Council’s (FRC) Stewardship Code (2020 version): “Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.”
4. RI is an essential part of the Fund’s approach to investing. This is reflected in the Investment Strategy Statement (ISS) which incorporates ESG, a component of which is RI. The ISS also acknowledges LGPS Central’s (Central) responsible investment and engagement policy. The Fund invests in Central investment products where the underlying managers are selected with RI a key component of the selection policy.
5. The first Responsible Investing plan was approved at the January 2020 Local Pension Committee meeting with a second plan at the January 2021 meeting, a progress updated is attached as Appendix B.
6. Leicestershire County Council Officers have developed a 2022 RI plan with LGPS Central’s in-house RI team. Outputs and recommendations from the Leicestershire Climate Risk Report delivered to the Local Pension Committee in November 2021 have been incorporated into the 2022 draft plan.

##### **Responsible Investment Plan 2022**

7. The draft 2022 plan builds on the 2020 and 2021 plan's and improves on the approach and beliefs detailed in the Fund's ISS with the addition a Climate Strategy which members approved work for at the November 2021 Pension Committee meeting.

8. The draft RI plan for 2022 is shown below, some highlights below:

- Regular updates on the development of the Fund's Climate Strategy (CS). The plan to develop a CS will develop into a number of workstreams that the Committee will have the opportunity to shape over the year.
- Update the ISS to complement the findings and proposals contained within the Fund's CS.
- Continuation of quarterly reporting of the stewardship report and inclusion of voting metrics from listed equity investments. (not shown on table below)
- Reviews of investment managers ESG approach's alongside presentations to the Committee.

<b>Financial Quarter</b>	<b>Title</b>	<b>Description</b>
Q4 21/22	Communicate draft RI Plan to Pension Committee	Publication of the Fund's 2022 RI plan.
	Manager review	ESG approach alongside presentation to Committee
	Climate Change Strategy	Begin work on the production of a LCCPF Climate Change Strategy with a view to publication in late-2022.
	Climate Strategy Workshop	Meeting of the Fund's Officers and Pension Fund Committee to discuss and plan the Fund's Climate Change Strategy.
Q1 22/23	TCFD Report (Taskforce on Climate related Financial Disclosures)	Public-facing report of the Fund's approach to climate risk, set out in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures
	Manager review	ESG approach alongside presentation to Committee
Q2 22/23	Climate Strategy Update	Pension Fund Committee meeting to discuss progress of Climate Change Strategy.
	Manager review	ESG approach alongside presentation to

		Committee
Q3 22/23	Receive Climate Risk Report (CRR)	CRR 2022 containing updated carbon risk metrics results measured against the baseline from the previous two reports.
	Climate Risk Training	Further training of pension fund officers, Pension Committee and possibly Pension Board on the risks and opportunities associated with climate change.
	Climate Change Strategy Publication	Publish the Fund's draft Climate Change Strategy. This should be consistent with the TCFD Recommendations and be monitored regularly by the Pension Fund Committee.
	Governance Review	Publish updated draft Funding Strategy Statement and Investment Strategy Statements for consultation in line with the Fund's new Climate Change Strategy. Final approval in Q4 22/23.
	Manager review	ESG approach alongside presentation to Committee
TBC	Review of company engagements and TCFD recommendations	

**Recommendation**

8. It is recommended that the Local Pension Committee approves the Responsible Investment Plan 2022.

**Equality and Human Rights Implications**

9. None.

**Appendix**

Appendix A: Progress against 2021 RI Plan

**Background Papers**

None

**Officers to Contact**

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