

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2018-2019 – REPORT NO.**

**PENSION FUND COMMITTEE**

**15<sup>TH</sup> OCTOBER 2018**

**REPORT OF: THE GROUP DIRECTOR,  
CORPORATE AND FRONTLINE  
SERVICES**

	<b>AGENDA ITEM NO. 6</b>
<b>RESPONSIBLE INVESTING</b>	

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**1.0 PURPOSE OF REPORT**

1.1 This report sets out the relevant extracts from the Fund's governance documents with regard to Responsible Investing.

**2.0 RECOMMENDATIONS**

2.1 It is recommended that the Committee :

2.1.1 consider and note the extracts as set out in this report; and

2.1.2 Consider whether they wish to receive further information and / or make any amendments to the current position.

**3.0 BACKGROUND**

3.1 This report sets out (at appendix 1) the relevant excerpts from the funds governance documents for the committees review.



## Responsible Investment – Climate Change

### Fund Statement

The Fund recognises the investment implications of climate change and carbon emission management. As a long term investor charged with looking after the interests of beneficiaries over many decades into the future, we are fully aware that climate change is one of the risk factors for our pension fund investments.

The Fund engages with companies in the sector through its participation in the Local Authority Pension Fund Forum (LAPFF). LAPFF's engagement strategy is to push for an orderly carbon transition by requiring companies to identify and tackle carbon risks in their business models.

The fund has also expressed a view on how it would wish its Fund Manager's to vote on resolutions at global AGMs seeking transparency and disclosure of climate risks and setting emission reduction targets.

The fund is committed to an orderly carbon transition and believes active engagement with investee companies is the preferred option to bring about change whilst managing overall investment risk issues.

Below is the relevant extract from the Fund's Investment Strategy Statement –

### **How social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments.**

The overriding principle of the Fund's investment policy is to obtain the best possible financial return using the full range of investments authorised under the Local Government Pension Scheme regulations.

Although the pursuit of a financial return is our predominant concern, where possible, the Fund is committed to include Responsible Investment factors (environmental, social and corporate governance factors) into the investment process. These non financial factors are considered to the extent that they are not detrimental to the Fund's investment returns.

The incorporation of these factors into investment managers' stock selection decisions should serve to enhance the process, rather than restrict choice in any

way. The Fund does not negatively screen stocks from the investment universe available to managers.

The Fund requires its investment managers to integrate all material financial and non-financial factors, into the decision-making process for all investments. Furthermore, it expects its managers to proactively engage, influence and promote good corporate governance in the companies and markets to which the Fund is exposed.

All of the Fund's investment managers are signed up to the United Nations Principles of Responsible Investment (UNPRI), which encourages asset owners and asset managers to incorporate environmental, social and governance (ESG) issues into investment analysis and decision making, be active owners, seek disclosure of ESG issues and promote the principles within the industry.

The six principles are:

- We will incorporate Environmental, Social and Governance issues into investment analysis and decision-making processes;
- We will be active owners and incorporate Environmental, Social and Governance issues into our ownership policies and practices;
- We will seek appropriate disclosures on Environmental, Social and Governance issues by the entities in which we invest;
- We will promote acceptance and implementation of the Principles within the investment industry;
- We will work together to enhance our effectiveness in implementing the Principles; and
- We will each report on our activities and progress towards implementing the Principles.

The Pension Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.