

**Environmental, Social &  
Governance (ESG) and  
Responsible Investment (RI)  
Guidelines**



**ACCESS Joint Committee**

**Date:** 17 July 2020

**Report by:** Officer Working Group

<b>Subject:</b>	<b>Environmental, Social &amp; Governance (ESG) and Responsible Investment (RI) Guidelines</b>
<b>Purpose of the Report:</b>	To provide the Joint Committee with a position statement on the development of updated ESG/RI guidelines for the ACCESS pool
<b>Recommendations:</b>	<b>The Joint Committee (JC) are asked to:</b> <ul style="list-style-type: none"><li>• <b>note the content of the report.</b></li></ul>
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## 1. Purpose

- 1.1. To provide the Joint Committee with a position statement on the development of updated ESG/RI guidelines for the ACCESS pool.

## 2. Background

- 2.1. At its January 2018 meeting the Joint Committee agreed the current ESG guidelines (Annex A to this report). The current voting guidelines run to eight pages in total, are included at Annex C and form part of Investment Manager Agreement between Link and the various Managers.
- 2.2. The 2020/21 ACCESS Business Plan includes the following:

Theme	Milestone	2020/21 activity
<b>Governance</b>	Agreement to Joint Polices & guidelines.	Work will be undertaken to finalise joint guidelines on ESG / RI.

- 2.3. At the March 2020 meeting of the JC, a new ESG/RI risk – rated amber – was added to the Risk Register. This risk noted that notwithstanding ACCESS's intention to facilitate the implementation of local strategies, it had been necessary for the JC to determine RI terms, voting and stock lending guidelines in 2018. Since that time Authorities have conducted reviews of their respective Investment Strategy Statements and a number have indicated developments within their respective approaches to ESG/RI matters. The guidelines agreed by ACCESS therefore need to be maintained to reflect the requirements of the investing Authorities.
- 2.4. Since the March JC, the review of ESG/RI guidelines has been part of OWG's business on four occasions at virtual meetings during May and June.

### 3. ACCESS Authority ESG/RI Policies

- 3.1. Initial analysis of each Authority's latest ESG/RI policy was undertaken by the ASU. As was the case in the lead up to the agreement of the existing guidelines in early 2018, there are some commonalities in how investing Authorities' individual policies frame ESG/RI considerations. For example, each Authority's ESG/RI policy makes explicit reference to the UK Stewardship Code. However, there is, understandably, no common format across all Authorities which in part means that the scale of ESG/RI discussion is variable.
- 3.2. OWG noted that whilst a significant amount of work has been undertaken by Authorities on developing ESG/RI policies, the review cycles are not uniform and therefore this remains work in progress. The table below summarises the position at each Authority:

	<b>Most recent published ESG/RI Policy</b>	<b>Expected completion of Policy Review</b>
<b>Cambridgeshire</b>	Apr-19	2021
<b>East Sussex</b>	Mar-20	Complete
<b>Essex</b>	Feb-20	2020
<b>Hampshire</b>	Mar-20	Complete
<b>Hertfordshire</b>	Mar-20	2020
<b>Isle of Wight</b>	Jan-19	2020
<b>Kent</b>	Mar-20	2020
<b>Norfolk</b>	Jul-19	2021
<b>Northamptonshire</b>	Apr-19	2021
<b>Suffolk</b>	Jun-20	Jul-20
<b>West Sussex</b>	Jul-18	2021

### 4. UK Stewardship Code & Task Force for Climate Related Disclosures (TCFRD)

- 4.1. OWG noted that within the many developing aspects of ESG/RI, the Pensions & Lifetime Savings Association (PLSA) have recently underlined the following as having specific bearings on institutional asset owners:
- the revised UK Stewardship Code, compliance with which requires Authorities to report from March 2021; and
  - the Task Force for Climate Related Financial Disclosures, which received the backing of HMG in 2019 with a 2022 reporting date for Authorities.
- 4.2. It was further noted by OWG that the Norfolk Pension Fund had recently surveyed Investment Managers on the following areas.
- UK Stewardship Code
  - Responsible Investment
  - Climate Change related Financial Disclosures; and
  - Engagement

- 4.3. With the agreement of Norfolk, arrangements are now in hand with Link Fund Solutions, to use that survey as a template for dialogue with all Investment Managers within the ACCESS ACS. The responses to that survey will inform next steps.

## **5. Advice to ACCESS on ESG/RI matters**

- 5.1. In view of the importance and profile of ESG/RI matters, the landscape presented by each Authority's individual ESG/RI policy and the expectations upon LGPS Funds. OWG consider that specialist advice is required. This would both articulate suitable guidelines and ensure that ESG/RI is appropriately positioned within ACCESS considerations in future. As a consequence, a specification for the advice required is being drafted. A further update will be brought to the Committee's next meeting.

## **6. Scheme Advisory Board: online RI Guidance**

- 6.1. Earlier this year the Scheme Advisory Board (SAB) stated its intention to develop, as a form of Responsible Investment guide, an online "A-Z" document to explain and clarify RI related terminology. In June Local Government Association (LGA) Officers supporting the SAB asked for a nominee from each Pool to participate on an editorial board to oversee the maintenance of the A-Z guide. The full email is shown at Annex B to this report. OWG concluded that the ASU's Interim Director should represent ACCESS.

## **7. Recommendation**

Joint Committee are asked to:

- 7.1. note the content of the report