

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES		
LCIV Update - Responsible Investment and Renewable Infrastructure Pensions Committee 15th March 2021	Classification PUBLIC	Enclosures None
	Ward(s) affected ALL	AGENDA ITEM NO. 4

1. INTRODUCTION

- 1.1. This report introduces two presentations from the London Collective Investment Vehicle (LCIV) relating to an update on their approach to responsible investment and an update on the progress of the development of the renewable infrastructure mandate.
- 1.2. The update on responsible investment is particularly relevant given recent decisions made by the Committee in respect of a further movement of assets to mandates under the LCIV umbrella and the commitment in principle to a 5% allocation to the renewable infrastructure mandate.

2. RECOMMENDATIONS

- 2.1. The Committee is recommended to:
 - Note the presentation by the LCIV.

3. RELATED DECISIONS

- Pensions Committee 14 January 2021 - Investment Strategy Review Asset Allocation

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 4.1. As the Committee are aware, the LCIV is the LGPS pool formed for all London Boroughs and therefore the pool that the Fund is required to use in order to fulfil the govt requirements in respect of the pooling of LGPS assets, primarily to benefit from reduced costs arising from associated economies of scale.
- 4.2. The Committee have already agreed recommendations in respect of asset allocation that will result in a much greater proportion of the Fund's assets being managed through mandates procured by the LCIV and therefore their approach to responsible investment is of importance to the Committee given the Committee's investment beliefs and commitment to robust ESG policies.
- 4.3. There are no direct financial implications arising from this report.

5. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE

- 5.1. The Committee has responsibility for the prudent and effective stewardship of the Pension Fund and a clear fiduciary duty in the performance of its functions. Having reviewed the Fund's Investment Strategy following the 2019 actuarial valuation, it is appropriate to ensure that fund managers and vehicles for future investments are aligned to the Fund's policies in respect of responsible investment.
- 5.2. Regulation 7 of the 2016 Regulations requires the Administering Authority to formulate an Investment Strategy in line with guidance published by the Secretary of State. Regulation 7(2) stipulates that the authority's investment strategy must include a number of specific items, including:
- (a) a requirement to invest fund money in a wide variety of investments;
 - (b) the authority's assessment of the suitability of particular investments and types of investments;
 - (c) the authority's approach to risk, including the ways in which risks are to be assessed and managed;
 - (d) the authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
 - (e) the authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
 - (f) the authority's policy on the exercise of the rights (including voting rights) attaching to investments.
- 5.3. This paper helps demonstrate that the Committee is investing in line with Regulation 7(2), by engaging with the LCIV in respect of its own ESG and responsible investment policies.

6. LCIV RESPONSIBLE INVESTMENT (RI) UPDATE

- 6.1. Jacqueline Jackson, Head of Responsible Investment at the LCIV, will be attending the Committee meeting to present an update on their responsible investment and engagement programme.
- 6.2. Given recent decisions regarding the future asset allocation of the Pension Fund and the resulting increase in assets under management within mandates within the LCIV, it is important that the Committee understands the approach the LCIV is taking to responsible investment, allowing the opportunity to discuss any particular areas of concern.
- 6.3. The presentation will show how the LCIV intends to ensure that RI forms a core part of its investment process across all asset classes and mandates. It will include updates on various elements of RI, including climate policy and stewardship, all areas that the Committee will be reviewing for the Fund over the coming months.

7. LCIV RENEWABLE INFRASTRUCTURE UPDATE

- 7.1. At the Committee meeting in January 2021, members agreed in principle to allocate 5% of the Fund's assets to the LCIV Renewable Infrastructure mandate, pending

completion of the procurement process and subsequent due diligence.

- 7.2. This presentation will update the Committee on the latest position in terms of the procurement and due diligence process currently underway.
- 7.3. It will also provide some detail regarding the structure of the fund and how any investments from the Fund would be allocated within the mandate.
- 7.4. Given the pending deadlines, subject to completion of due diligence, for Funds to confirm their commitment to the mandate, officers felt that it would be useful for the Committee to receive this update in order that any further questions could be answered.
- 7.5. As set out earlier, operational and legal due diligence is still underway by the LCIV and indeed by our own investment advisors. This being the case, some information may not be available at this stage, and as such, the representative from the LCIV may not be able to respond to all questions raised at the meeting.

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