

Investment Strategy Statement Summary: Timeline and Decision Tree

Purpose of this paper

The purpose of this paper is to present to the Investment Steering Committee (ISC) the relevant actions for a comprehensive review of the Investment Strategy Statement (ISS) and in particular the Responsible Investment (RI) policy included within it. This includes a timeline and a decision tree that will support the decision-making process.

A review of the RI aspects of the ISS is required as part of the overall strategy implementation considerations. Furthermore, this review is timely given the increased coverage surrounding responsible investment recently. The below timeline and decision tree are intended to help structure the initial discussion on RI and illustrate the key topics that need to be addressed in order to form the RI policy included in the ISS.

There are no decisions required by the ISC from this paper.

Introduction

An introduction of RI is provided in the paper “Investment Strategy Statement – a primer for discussing and agreeing an approach to responsible investment”. It includes the purpose of the ISS; how RI is embedded in it and the current wording on RI matters.

It briefly explains the main concepts on RI including ESG factors, ethical views and stewardship. It also shares what is happening in the private sector and LGPS environments.

Timeline

In order to achieve a comprehensive review of the RI aspects of the ISS, the following timeline is proposed:

July 2019 ISC meeting: introduction to RI and setting out a timeline for the entire RI policy review process

Additional October 2019 ISC meeting: a comprehensive review of RI, including half a day focused on training and half a day focused on the ISC RI beliefs and policy

November 2019 ISC meeting: Presentation from LAPFF on collaborative RI approach

February 2020 ISC meeting: final agreement on ISS wording and issue for consultation

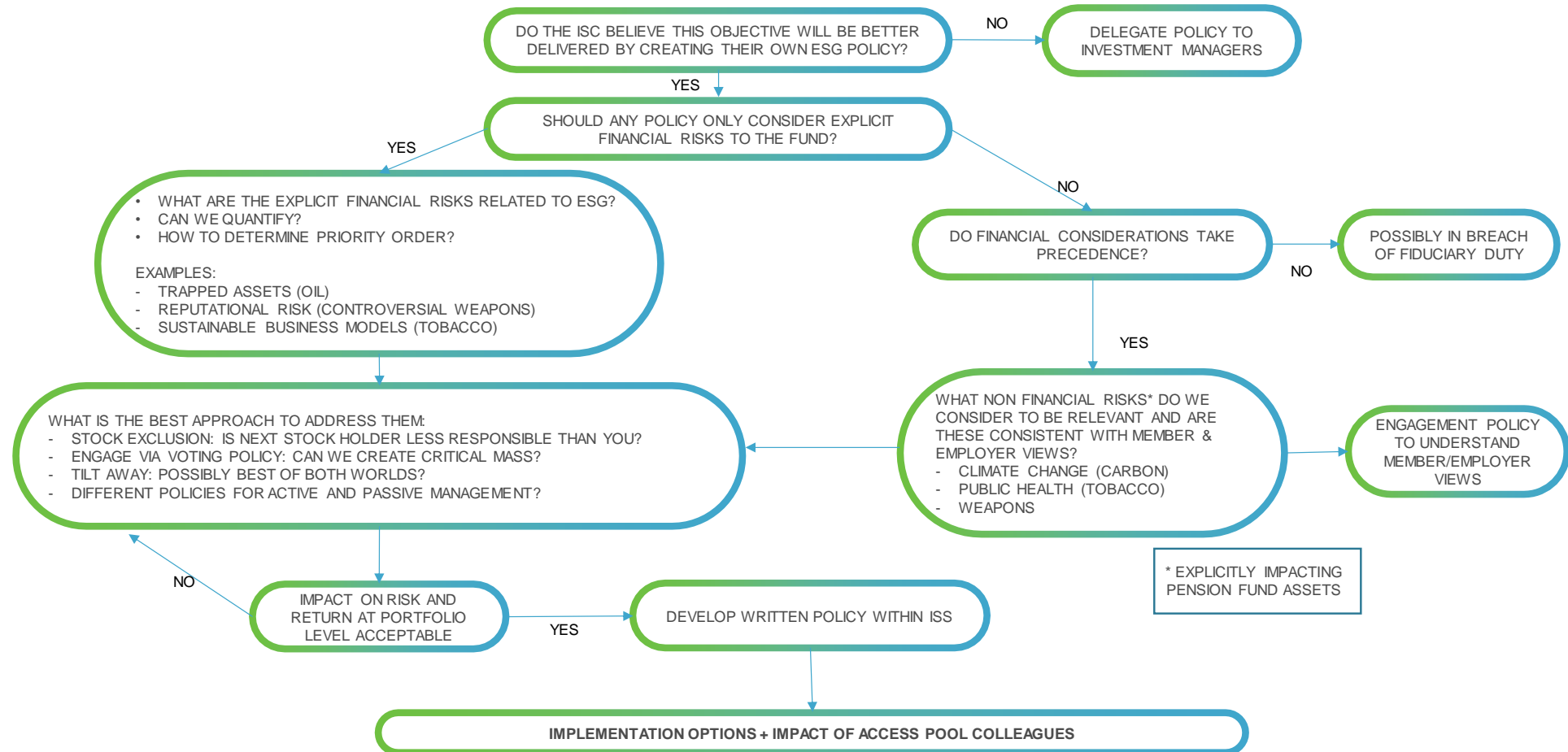
March 2020 ISC meeting: review of managers’ ESG and voting policies and how responsible investment is incorporated in their investment process to decide next steps.

Decision Tree

A review of the RI policy is complex as it involves many different aspects: legislation, fiduciary duty, beliefs, members' views, among others. To simplify the process and structure the discussion, we have prepared the following decision-tree.

PRIMARY OBJECTIVE:

TO DELIVER A SMOOTHER, MORE SUSTAINABLE, INVESTMENT RETURN OVER THE LONG TERM CONSISTENT WITH FUNDING PLANS



Conclusion

The main objective of the July ISC meeting is to obtain agreement from the ISC on the timeline and overall process that will be used to review Essex's RI policy as part of the ISS update.

Prepared by:-

Matt Woodman, Senior Investment Consultant

Alessandra Santiago, Investment Consultant

For and on behalf of Hymans Robertson LLP