



Essex County Council

## Essex Pension Fund Investment Steering Committee

<b>10:00</b>	<b>Wednesday, 16 June 2021</b>	<b>Council Chamber County Hall, Chelmsford, CM1 1QH</b>
--------------	------------------------------------	---

**For information about the meeting please ask for:**

Amanda Crawford, Compliance Manager

**Telephone:** 03330 321763

**Email:** [Amanda.Crawford@essex.gov.uk](mailto:Amanda.Crawford@essex.gov.uk)

### Essex County Council and Committees Information

All Council and Committee Meetings are held in public unless the business is exempt in accordance with the requirements of the Local Government Act 1972.

Members of the public will be able to view and listen to any items on the agenda unless the Committee has resolved to exclude the press and public from the meeting as a result of the likely disclosure of exempt information as defined by Schedule 12A to the Local Government Act 1972.

#### ECC Guest Wifi

For members of the public, you can now access free wifi in County Hall.

- Please log in to 'ECC Guest'
- Follow the instructions on your web browser

#### Attendance at meetings

Most meetings are held at County Hall, Chelmsford, CM1 1LX. [A map and directions to County Hall can be found on our website.](#)

#### Access to the meeting and reasonable adjustments

County Hall is accessible via ramped access to the building for people with physical disabilities.

The Council Chamber and Committee Rooms are accessible by lift and are located on the first and second floors of County Hall.

Induction loop facilities are available in most Meeting Rooms. Specialist headsets are available from Reception.

## **Accessing Documents**

If you have a need for documents in, large print, Braille, on disk or in alternative languages and easy read please contact the Democratic Services Officer before the meeting takes place. For further information about how you can access this meeting, contact the Democratic Services Officer.

The agenda is also available on the Essex County Council website, [www.essex.gov.uk](http://www.essex.gov.uk) From the Home Page, click on 'Running the council', then on 'How decisions are made', then 'council meetings calendar'. Finally, select the relevant committee from the calendar of meetings.

## **Audio recording of meetings**

Please note that in the interests of improving access to the Council's meetings, a sound recording is made of the public parts of many of the Council's Committees. The Chairman will make an announcement at the start of the meeting if it is being recorded.

Should you wish to record the meeting, please contact the officer shown on the agenda front page.

		<b>Pages</b>
<b>1</b>	<b>Membership, Apologies and Declarations of Interest</b> To receive a report from the Compliance Manager	<b>5 - 6</b>
<b>2</b>	<b>Confirmation of the Appointment of the Essex Pension Fund (EPF) Investment Steering Committee (ISC) Chairman and the Appointment of the Fund's Representative on the ACCESS Joint Committee (JC)</b> To note the appointment of Cllr Susan Barker as Chairman of Essex Pension Fund as agreed at the Essex County Council Full Council meeting held on 25 May 2021 and to appoint the ACCESS JC Representative	<b>7 - 8</b>
<b>3</b>	<b>Appointment of the Vice-Chairman of Essex Pension Fund</b> To appoint the Vice-Chairman of the Essex Pension Fund	
<b>4</b>	<b>Minutes of ISC Meeting 24 March 2021</b> To approve as a correct record the Minutes of the Investment Steering Committee meeting held on 24 March 2021	<b>9 - 20</b>

- |          |   |                |
|----------|---|----------------|
| <b>5</b> | <b>Investment Steering Committee Terms of Reference</b><br>To note the Investment Steering Committee Terms of Reference   | <b>21 - 26</b> |
| <b>6</b> | <b>The Independent Investment Adviser's Future Perspective</b><br>To receive a presentation from the Independent Investment Adviser, Mark Stevens   |                |
| <b>7</b> | <b>Responsible Investment Project Plan</b><br>To consider a report and training presentation from Hymans Robertson, in consultation with the Director for Essex Pension Fund and Independent Investment Adviser, Mark Stevens | <b>27 - 62</b> |
| <b>8</b> | <b>Schedule of Future Meetings and Events</b><br>To consider a report from the Compliance Manager   | <b>63 - 66</b> |
| <b>9</b> | <b>Urgent Business</b><br>To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.                             |                |

### **Exempt Items**

(During consideration of these items the meeting is not likely to be open to the press and public)

The following items of business have not been published on the grounds that they involve the likely disclosure of exempt information falling within Part I of Schedule 12A of the Local Government Act 1972. Members are asked to consider whether or not the press and public should be excluded during the consideration of these items. If so it will be necessary for the meeting to pass a formal resolution:

**That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.**

- |           |   |
|-----------|---|
| <b>10</b> | <b>Part Two Minutes of ISC Meeting 24 March 2021</b> <ul style="list-style-type: none"> <li>• Information relating to the financial or business affairs of any particular person (including the authority holding that information);</li> </ul> |
| <b>11</b> | <b>Annual Investment Manager Monitoring</b>   |

- 11a Investment Manager Monitoring - Annual Performance Review as at 31 March 2021**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 11b Investment Manager Monitoring - Traffic Light Ratings Report**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 11c Investment Manager Monitoring - CEM benchmarking Value for Money Review**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 11d Investment Manager Monitoring - EPF Investment Scorecard**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 12 The Provision of Global Custodian Services Arrangements**
- Information relating to the financial or business affairs of any particular person (including the authority holding that information);
- 13 Urgent Exempt Business**
- To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.

<b>Essex Pension Fund Investment Steering Committee</b>	<b>ISC 01</b>
<b>Date: 16 June 2021</b>	

## **Essex Pension Fund Investment Steering Committee Membership, Apologies and Declarations of Interest**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

---

### **1. Purpose of the Report**

- 1.1 To present Membership, Apologies and Declarations of Interest for the 16 June 2021 ISC.

### **2. Recommendation**

- 2.1 That the Committee should note:
  - Membership as agreed at the meeting of Essex County Council Full Council meeting held on 25 May 2021 as shown opposite;
  - Apologies and substitutions; and
  - Declarations of Interest to be made by Members in accordance with the Members' Code of Conduct and the Essex Pension Fund's Conflict of Interest Policy.

### **3. Membership**

(Quorum: 4)

5 Conservative Group: 1 Liberal Democrat Group: 1 Non-Aligned Group

#### **Membership**

#### **Representing**

Councillor S Barker	Essex County Council (Chairman)
Councillor A Goggin	Essex County Council
Councillor A Hedley	Essex County Council
Councillor M Hoy	Essex County Council
Councillor D King	Essex County Council
Councillor M Platt	Essex County Council
Councillor C Souter	Essex County Council

#### **Observers**

Councillor C Riley	Castle Point Borough Council
Sandra Child	Scheme Members

### **4. Substitute Membership Arrangements**

- 4.1 Councillor Mark Durham has been appointed as the Conservative Group substitute.
- 4.2 Councillor Mike Mackrory has been appointed as the Liberal Democrat substitute.

<b>Essex Pension Fund Investment Steering Committee</b>	<b>ISC 02</b>
<b>Date: 16 June 2021</b>	

**Confirmation of the Appointment of the Essex Pension Fund (EPF) Investment Steering Committee (ISC) Chairman and the Appointment of the Fund's Representative on the ACCESS Joint Committee (JC)**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

**1. Purpose of the Report**

- 1.1 To note the appointment of the ISC Chairman of the Essex Pension Fund.
- 1.2 To agree the Fund's representative on the ACCESS JC.

**2. Recommendation**

- 2.1 That the Committee note the appointment of Councillor Susan Barker as Chairman of the ISC as agreed at the Essex County Council (ECC) Full Council meeting held on 25 May 2021.
- 2.2 That the Committee **agree** that the Chairman of the ISC act as the Fund's representative on the ACCESS JC and that in their absence that the Vice Chairman act as the Fund's representative.

### **3. Background**

- 3.1 County Council Elections occur every four years. On 06 May 2021 the Local Elections were held.
- 3.2 At the 25 May 2021 ECC Full Council meeting the newly Elected Membership for ECC for the next four years was confirmed.
- 3.3 At this meeting, ECC's Committee Memberships were also agreed along with Chairmen appointments.
- 3.4 Under the ISC Terms of Reference the Chairman and Vice Chairman of the ISC will also act as Chairman and Vice Chairman for the Essex Pension Fund Strategy Board (PSB) respectively.
- 3.5 Confirmation of the Chairman appointment is then reaffirmed at their respective first meetings. In addition, at this first meeting the Vice Chairman is also elected.

### **4. Confirmation of the Chairman**

- 4.1 At the 25 May 2021 ECC Full Council meeting, Councillor Susan Barker was appointed as the Chairman of the ISC for the Essex Pension Fund.



## **Minutes of the Meeting of the Essex Pension Fund Investment Steering Committee (ISC), held at 09:45am as an online video conference on 24 March 2021**

### **1. Membership, Apologies and Declarations of Interest**

The report of the Membership, Apologies and Declarations of Interest were received.

#### **Membership**

##### **Present:**

#### **Essex County Council**

Cllr S Barker	(Chairman)	
Cllr M Platt	(Vice Chairman)	
Cllr A Goggin		
Cllr A Hedley		
Cllr M Maddocks		
Cllr M Durham	(Conservative Group Substitute Member attending on behalf of Cllr C Souter)	

#### **Scheme Employer Representative**

Cllr C Riley	(Observer)	joined 10am left 11am
--------------	------------	-----------------------

#### **Scheme Member Representative**

Sandra Child (UNISON)	(Observer)
-----------------------	------------

The following Officers and Advisers were also present in support of the meeting:

Jody Evans	Interim Director for Essex Pension Fund
Samantha Andrews	Investment Manager
Amanda Crawford	Compliance Manager
Helen Pennock	Compliance Analyst
Mark Stevens	Independent Investment Adviser (IIA)
John Dickson	Hymans Robertson left after Agenda Item 12b
Matt Woodman	Hymans Robertson left after Agenda Item 12b

The following Essex Pension Fund Advisory Board (PAB) Members were present as Observers of the meeting:

Andrew Coburn	Scheme Member Representative (UNISON)
Cllr M Bracken	Employer Representative
James Durrant	Employer Representative

The following Investment Manager representatives were present for item 9a – c

Alex Harley, Terry Harris and Mark Wilson - Barings UK Limited  
Mike Patterson and Nick White - HPS Investment Partners

James Greenwood, David Hirschman, Jennifer Collard and Adinah Shackleton - Permira Debt Managers

Members noted that the meeting would be recorded to assist with the production of the Minutes for the meeting.

### **Opening Remarks**

The Chairman welcomed Members of the Committee, John Dickson (Hymans Robertson), Matt Woodman (Hymans Robertson), Mark Stevens (IIA) and PAB Observers Andrew Coburn, Cllr M Bracken and James Durrant to the meeting.

It was noted that this would be Cllr M Maddocks last ISC and as such the Chairman took the opportunity to thank him for his contribution and commitment to the work of the Committee since his appointment in December 2018.

The Secretariat outlined to Members the protocol on how the virtual meeting would be conducted.

A query was raised in respect of the copyright of the ISC presentation slides and the broadcasting of the meeting. It was confirmed that the meeting was recorded for the sole use of assisting Officers with the production of minutes and that the meeting was not broadcasted. Officers agreed to take away the outstanding point in regard to copyright and confirm the position.

### **Apologies for Absence**

It was noted that Cllr L Scordis was absent from the meeting and that Cllr C Souter, along with PSB Member Rachel Hadley and PAB Members: Nicola Mark, Cllr S Walsh, Stuart Roberts and Debs Hurst had sent their apologies.

### **Declarations of Interest**

Declarations were received from:

Cllr S Barker declared she was in receipt of an Essex LGPS pension and that her son was also a member of the Essex LGPS. Cllr S Barker also declared she is an ECC Cabinet Member and sits on the Foreign Travel Committee;

Cllr M Platt declared that he is the Deputy Cabinet Member for Environment & Climate Change Action and is the Vice Chairman of the Audit, Governance and Standards Committee;

Cllr A Goggin declared that his wife, sister and brother-in-law were in receipt of an Essex LGPS pension;

Cllr A Hedley declared that he was in receipt of an Aviva Group Pension and is Chairman of the Audit, Governance and Standards Committee; and

Cllr M Maddocks, Cllr C Riley and Sandra Child declared they were in receipt of an Essex LGPS pension.

**Resolved:**

The Committee noted the report.

**2a. Minutes of ISC meeting 20 January 2021**

The Minutes of the meeting of the ISC held on 20 January 2021 were approved as a correct record and signed by the Chairman.

The Chairman brought to the attention the Matters Arising and it was noted that:

- following feedback from Members, the Traffic Light Rating Report at Agenda item 11a had been revised to reflect the RAG rating status of the investment managers throughout the report. It was also noted that a Summary page had been included for ease of reference;
- the third tranche of rebalancing Baillie Gifford mandate was implemented during February 2021 with £110m reallocated to M&G's active bond mandate. It was explained that a further update for the Committee's consideration was provided at Agenda Item 11c along with an assessment of the impact on performance of the three rebalancing decisions previously agreed, as requested at the January 2021 ISC;
- Officers issued the 13 January 2021 ACCESS Joint Committee (AJC) pack to Members on 05 February 2021. It was explained that an update from both this meeting and the AJC of 8 March 2021 would be covered later in the Agenda;
- a further report in regard to the next stage of the Investment Strategy implementation (Stage 4) was provided at Agenda Item 12b;
- the outcome of the Responsible Investment (RI) Workshop held with ISC Members on 12 March 2021 was provided at Agenda Item 03;
- the Fund along with its fellow ACCESS colleagues had commenced the procurement of the provision of Global Custodian Service Arrangements and was currently on track to issue the Invitation to Tender to participants in April 2021;
- the Institutional Investment Consultant (IIC) arrangements process had now concluded. The Minutes of the Appointment Sub Committee (ASC) and full report outlining the procurement process were provided at Agenda Item 2b and Agenda Item 13 respectively.

Members were informed that the remaining matters arising would be dealt with through the Agenda Pack.

**2b. Minutes of ISC Appointment Sub Committee (ASC) 10 March 2021**

The Minutes of the meeting of the ISC ASC held on 10 March 2021 were approved as a correct record and signed by the Chairman.

Members were informed that Hymans Roberson had been successful in being reappointed to the position of IIC and that a full report outlining the procurement process was provided at Agenda Item 13.

### **3. Outcome of the Responsible Investment (RI) Workshop**

The Committee received a report and presentation from the Investment Manager. Members were reminded that the review of responsible investment was undertaken as part of the wider review of the Investment Strategy Statement (ISS) back in October 2019, where a designated Workshop was held.

Following this Workshop, a set of RI Beliefs and Priorities were agreed that were later used to formulate the Fund's RI Policy, which was then subject to a full stakeholder consultation, as part of the ISS in the summer of 2020 and was subsequently approved by the ISC at their October 2020 meeting.

It was explained that at the January 2021 ISC meeting the RI Policy, Beliefs and Priorities were revisited with some initial discussion on how the Fund could implement, monitor and review its RI Policy. Following this meeting, a dedicated RI Workshop was held on 12 March 2021.

Initial conclusions drawn from the Workshop discussions were that Members were satisfied that the RI Policy, Beliefs and Priorities continued to remain appropriate. It was agreed that the Policy should be viewed holistically and not in isolation and that each of the Fund's Investment Manager Mandates would need to be reviewed and assessed to determine their alignment with the Fund's Policy. It was also agreed that there was merit, considering the size of the Fund's assets managed by UBS, that the passive mandate be reviewed first and in particular, the equity benchmarks tracked as this ultimately determined stock selection.

It was also acknowledged that the regional market capitalisation benchmarks that the Fund currently tracks was somewhat outdated and whilst Members recognised that one of the Fund's priorities was taken into account with the exclusion of controversial weapons there was a strong feeling that the Fund should explore the wider universe of indices that may be better aligned to the Fund's ten RI Priorities. It was recognised that deviating from the status quo would incur additional cost and this would need to be assessed and ultimately justified.

There was appetite from Members that Officers and Advisers in the first instance work with UBS, the ACCESS Pool and Fund's passive provider to establish suitable solution(s).

It was also explained that Officers are looking to engage with the Vice Chairman and Cllr Walsh, PAB Member who both sit on the Environment and Climate Change Action Committee to understand the work that they are undertaking in this regard.

**Resolved:**

The Committee **agreed:**

- the RI Policy and RI Beliefs used to formulate the Policy as outlined in the ISS remain appropriate;
- the RI Priorities remain relevant, and should be viewed holistically, and not in isolation for the Committee to focus entirely on one would be to miss other important aspects of RI that could lead to improved financial outcomes for the Fund and wider society;
- equities mandates, being the largest asset allocation of the Fund should be reviewed as a priority;
- the level of influence the Committee has differs depending on whether the equity mandate is managed on an active or passive basis;
- the Fund develop a clear, documented engagement process with the active equity managers;
- in relation to their passive mandates, the Committee acknowledges it is able to determine the index the passive investment manager tracks and as such would like it to be more aligned where possible with all its RI priorities, noting that at present the current indices that the passive manager tracks excludes investing in controversial weapons, one of its ten priorities and that any deviation from tracking a market capitalisation index would incur a higher management fee than currently paid;
- Officers and Advisers investigate the types of indices available in the market, working with the Fund's current passive provider and the ACCESS Pool in the first instance to establish suitable solution(s); and
- the content of the report be noted.

#### **4. Treasury Management (TM) Strategy**

The Committee were provided with an overview of the Treasury Management Strategy. It was highlighted that the Strategy reflected the separate governance arrangements of the Fund.

Members were informed that whilst the format had been revamped in line with the Fund's new style of presentation, the content was largely unchanged from the Strategy approved by Members at their July 2020 meeting.

As agreed at the July 2020 meeting, Officers had taken the opportunity to review the TM Policy and Practices for their appropriateness. Whilst no revisions were required to the Policy, it was highlighted the Practices had been updated to reflect revised guidance and that both were now included as new Annexes within the Strategy.

**Resolved:**

The Committee **approved** the 2021/22 Essex Pension Fund Treasury Management Strategy.

## 5. Capital Markets Outlook – Quarter 4 2020

The Committee received a report from Hymans Robertson providing an update of market performance as at 31 December 2020. It was noted that equity markets continued to perform strongly during the quarter.

### **Resolved:**

The Committee noted the content of the report which had been provided as a supplement to the pack.

## 6. Schedule of Future Meetings and Events

The Committee received a report from the Compliance Manager detailing the planned Committee meetings for the next municipal year. The Committee were advised that these were subject to change and that the training days will be confirmed in due course.

It was noted that the meeting scheduled for 24 November 2021 will need to be revisited due to a potential clash.

### **Resolved:**

The Committee noted the meetings for 2021/22 and the content of the report.

## 7. Urgent Part I Business

There were none.

### **Exclusion of the Public and Press**

That the press and public are excluded from the meeting during the consideration of the remaining items of business on the grounds that they involve the likely disclosure of exempt information falling within Schedule 12A to the Local Government Act 1972, the specific paragraph(s) of Schedule 12A engaged being set out in the report or appendix relating to that item of business.

### **Resolved:**

The Chairman brought to the attention the above statement and the Committee **agreed** to proceed.

The Chairman informed Members that the meeting would reconvene at 10:25am following a short adjournment.

The meeting was adjourned at 10:16am

.....  
The Committee reconvened at 10:25am

## Opening Remarks

The Chairman welcomed back the Committee and Observers.

### 8. Direct Leading Procurement Bitesize Training

The Committee received a direct lending training presentation from John Dickson from Hymans Robertson. An update was also provided on the three Direct Lending Managers' shortlisted for interview, and the process undertaken.

#### Resolved:

The Committee noted:

- the training and presentation; and
- the content of the report.

### 9. Direct Leading Interviews

#### 9a Investment Manager Presentation – Barings UK Limited

The Chairman welcomed Alex Harley; Terry Harris; and Mark Wilson from Barings UK Limited who provided the Committee with a presentation in relation to their proposed direct lending strategy offering.

*Alex Harley; Terry Harris; and Mark Wilson left the meeting.*

#### Resolved:

The Committee noted the presentation.

#### 9b. Manager Presentation – HPS Investment Partners

The Chairman welcomed Mike Patterson and Nick White from HPS Investment Partners who provided the Committee with a presentation in relation to their proposed direct lending strategy offering.

*Mike Patterson and Nick White left the meeting.*

#### Resolved:

The Committee noted the presentation.

#### 9c. Manager Presentation – Permira Debt Managers

The Chairman welcomed James Greenwood; David Hirschman; Jennifer Collard; and Adinah Shackleton from Permira Debt Managers who provided the Committee with a presentation in relation to their proposed direct lending strategy offering.

*James Greenwood; David Hirschman; Jennifer Collard; and Adinah Shackleton left the meeting.*

**Resolved:**

The Committee noted the presentation.

**9d. Direct Lending Appointment**

Following consideration of the presentations and subsequent discussion, a vote was then taken.

**Resolved:**

The Committee **agreed** that:

- the preferred Direct Leading Manager be appointed to manage 2.5% of the Fund direct lending allocation; and
- Officers, in conjunction with Advisers, be authorised to finalise the arrangements.

The Chairman informed Members that the meeting would reconvene at 1:15pm following an adjournment for lunch.

The meeting was adjourned at 12:41pm

.....

The Committee reconvened at 1:16pm

**10. Structural Reform of the LGPS - Pooling Quarterly update of ACCESS Joint Committee (AJC)**

The Interim Director for Essex Pension Fund outlined the latest developments in respect of the structural reform of the LGPS.

It was noted that the AJC had met once since the last ISC meeting, on the 08 March 2021 however the Agenda included the Summary Reports from both the 13 January and 08 March 2021 meetings.

It was explained that the main area of business at the 13 January 2021 AJC was in regard to the S151 Officer recommendation to accept the 2021/22 ACCESS Budget and the areas of business covered at the 08 March 2021 AJC included:

- the conclusion of the Scheduled BAU Evaluation and next steps;
- an update on sub-fund launches and Emerging Market sub-fund progress; and
- a contract and supplier relationship management update which included an update in regard to Link's Professional Indemnity insurance arrangements.



**Resolved:**

The Committee **agreed:**

- ACCESS Authorities S151 Officers' recommendation to accept the 2021/22 ACCESS Budget totalling £1.247m (£113k per Authority) to support the 2021/22 ACCESS Business Plan.

The Committee noted:

AJC 13 January 2021

- an update in regard to the launch of seven new sub-funds taking the total number of sub-funds launched to twenty-two;
- the proposed pooling structures for real estate, private equity, private debt and infrastructure;
- the procurement, via the National LGPS Framework, of a consultant to support the implementation of the proposed illiquid asset pooling structures and manager/fund/allocator procurements as required;
- the performance of sub-funds against benchmark, income generated from stock lending and voting by the investment managers as at 30 September 2020;
- the presentation from Link Fund Solutions;
- the contract and supplier relationship management update;
- the outcome of the first internal audit on the work of the ASU;
- the outcome of the procurement process and the appointment of Minerva to undertake a review of the Pool's ESG/RI guidelines and to recommend appropriate reporting arrangements;
- the update on the Scheduled BAU Evaluation including next steps;
- the update on progress made against the 2020/21 Business Plan deliverables and Budget Forecast;
- ACCESS Pool's key risks, changes to risk profile and risk ratings;
- the Summary Note of 13 January 2021 AJC; and
- the informal workshop held after the AJC with Engine MHP to develop ACCESS's approach to communication and public relations.

AJC 08 March 2021

- the conclusion of the Scheduled BAU Evaluation including next steps;
- an update in regard to the initial communication work undertaken by Engine MHP;
- the performance of sub-funds against benchmark, income generated from stock lending and voting by the investment managers as at 31 December 2020;
- an update on the proposed timeline and approach for the appointment of an Implementation Adviser, the first milestone in pooling the illiquid assets;
- an update on sub-fund launches and progress in relation to the Emerging Market Sub-fund including next steps;
- the contract and supplier relationship management update including an update on Link's Professional Indemnity insurance arrangements;

- the update on progress made against the 2020/21 Business Plan deliverables;
- ACCESS Pool's key risks, changes to risk profile and risk ratings; and
- the Summary Notes of 08 March 2021 AJC.

## **11. Quarterly Investment Manager Monitoring**

### **11a. Traffic Light Rating Report**

The Committee received a report from Hymans Robertson which summarised their current views of the Fund's Investment Managers including a Responsible Investment rating on the Managers where available.

It was confirmed that there were no concerns at present in relation to Manager performance. Members were informed that the Property review was still ongoing and that a report along with recommendations would be brought to a future meeting.

Members thanked Hymans for taking on board their feedback expressing that the new formatting style of the report which now included a summary page and reflected the RAG ratings of the investment managers throughout the report was more user friendly.

**Resolved:**

The Committee noted the report.

### **11b. Investment Tables Quarter ended 31 December 2020**

The Committee received an update from the Independent Investment Adviser (IIA) on details of the Fund's investment performance for the quarter ended 31 December 2020.

Members noted that the Fund had reached a new high and had surpassed £8.6bn.

The Vice Chairman enquired as to whether within the IIA's Performance Commentary report the mandate current value and percentage of the Fund could be included going forward. It was subsequently confirmed this would be implemented for the next report.

**Resolved:**

The Committee noted the content of the report.

### **11c. Baillie Gifford Equity Portfolio Rebalancing**

It was confirmed that the third tranche of Baillie Gifford's rebalancing agreed at the January meeting had been implemented. It was explained that following this the overweight position was now broadly in line with its proxy target and therefore no

further rebalancing action was required at this time, however the position would be monitored and kept under review.

Following the request at the January 2021 ISC meeting Hymans also provided an analysis quantifying the effectiveness of the rebalancing implemented to date. It demonstrated that not only did it achieve the risk management objective set out it had proven to be beneficial overall from a performance perspective.

**Resolved:**

The Committee **agreed**:

- the Baillie Gifford's equity mandate overweight position is broadly in-line with its proxy target no immediate rebalancing be actioned and that the position continue to be monitored and kept under review.

The Committee noted:

- the approximate performance impact of the three Baillie Gifford rebalancing tranches previously actioned; and
- the content of the report.

## **12. Investment Strategy**

### **12a. Strategy Implementation Tracker**

The Committee received an update from Hymans Robertson on the progress made in the shifting away from equities in three stages as agreed by the ISC at their 15 November 2017 meeting. It was noted that following the decision today in regard to the appointment of a new Direct Lending Manager, Stage 2 of the derisking programme was now complete.

**Resolved:**

The Committee noted the progress made to date and the content of the report.

### **12b. Next Steps on Investment Strategy Implementation – Stage 4 proposal**

The Chairman, following a prior discussion with both the Vice Chairman and Officers expressed the view that as Stage 3 had yet to be implemented it was felt that it was too soon in the process to agree any 'in principle' decisions in regard to Stage 4. It was therefore, recommended that the Committee on this occasion note the content of the report and that Stage 4 recommendations be brought to a future meeting once Stage 2 and 3 investment decisions had time to bed down sufficiently.

**Resolved:**

The Committee **noted** the content of the report.

*John Dickson and Matt Woodman left the meeting at 1:48pm in order for the next agenda item to be discussed.*

**13. Institutional Investment Consultant (IIC) Arrangements – Outcome**

The Interim Director for Essex Pension Fund provided an update on the outcome of the IIC re-tender process.

Members were informed that of the five Suppliers invited to participate, two had submitted responses by the required deadline.

Both Suppliers were interviewed by the ASC made up of Cllr Barker, Cllr Platt and Sandra Child on 10 March 2021.

Following full deliberation Hymans Robertson was reappointed to the position of the IIC commencing on 01 April 2021, for a term of five years, with an option to extend for a further one year, subject to satisfactory performance review.

**Resolved:**

The Committee noted the outcome of the ISC ASC on 10 March 2021 and the content of the report.

**14. Urgent Exempt Business**

The Committee were reminded of the Statutory requirement for Members to complete their Related Third-Party Transaction Returns, which would be subsequently issued out to Members following the meeting.

**15. Closing Remarks**

Cllr M Maddocks took the opportunity to thank Officers, the Chairman and Vice Chairman for their support whilst being a Member of the Committee.

The Interim Director for Essex Pension Fund thanked Members for their continued support during such challenging times and wished them all the best for the future.

The Chairman thanked fellow Members for their support on the Committee and Officers for all their hard work, commitment, and efficacy in supporting all Members.

There being no further business the meeting closed at 1:54pm.

**Chairman  
16 June 2021**

<b>Essex Pension Fund Investment Steering Committee</b>	<b>ISC 05</b>
<b>Date: 16 June 2021</b>	

## **Essex Pension Fund Investment Steering Committee Terms of Reference**

Report by the Compliance Manager

---

Enquiries to Amanda Crawford on 03330 321763

### **1. Purpose of the Report**

- 1.1 To note the Committee's Terms of Reference (TOR).

### **2. Recommendation**

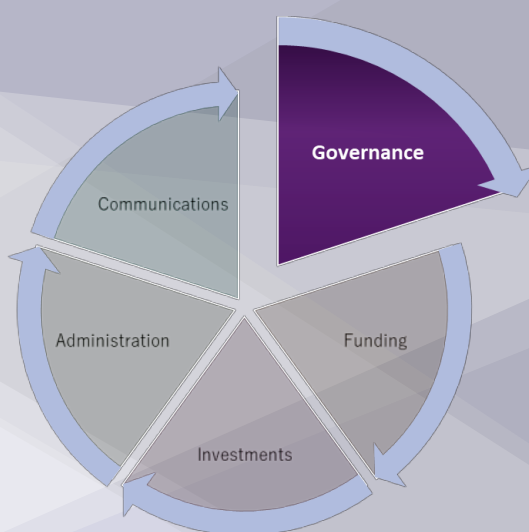
- 2.1 It is recommended that the TOR, set out in Appendix A to this report, are noted.



# Essex Pension Fund

## Investment Steering Committee Terms of Reference

March 2021



# Essex Pension Fund

## Investment Steering Committee

### Membership

There are 9 Members of the Investment Steering Committee (ISC).

Members	How Nominated or Appointed
7 Members of the Council (voting members)	All Council Members of the PSB
1 Member representing Employers in Essex (non-voting member)	The Member of the PSB nominated by Essex Borough, City and District Leaders/Chief Executives
1 Member representing Scheme Members (non-voting member)	The Member of the PSB nominated to represent Scheme Members

All ISC Members shall be drawn from PSB membership as follows:

### Quorum

A meeting of the ISC shall only be quorate when:

- i) At least 4 members are present, and
- ii) At least 3 of the members present are Essex County Council members.

### Term of Office

The Term of Office may be extended by up to six months if considered necessary for the purpose for the appointment process, for example, due to the timing of local authority elections, with the agreement of the Director for Essex Pension Fund.

Any ISC Member may be re-appointed for further terms following the appropriate appointment process.

A Member may resign by giving notice to the Director for Essex Pension Fund and shall cease to be qualified to be a member of the ISC if they cease to hold the office or employment which qualifies them for the role.



# Essex Pension Fund

## Investment Steering Committee

### Role and Function

- (i) to approve and review the asset allocation benchmark for the Fund;
- (ii) to determine, review and monitor the Fund's aims, objectives, policies, strategies and procedures relating to investment of the Fund's assets including the Investment Strategy Statement and environmental, social and governance matters;
- (iii) to appoint and terminate Investment Managers (in relation to non-pooled assets), Custodians and Advisers to the Fund solely relating to investment matters;
- (iv) In relation to the LGPS ACCESS Pension Fund Pool;
  - a) to consider pooling matters including recommendations by the ACCESS Joint Committee;
  - b) to determine the transition of the assets held by the Fund in relation to the Pool and the funds or sub-funds operated by the Operator;
  - c) to appoint the elected Councillor for Essex County Council (ISC Chairman) to the Joint Committee as and when required with the ISC Vice Chairman able to deputise in their absence;
  - d) to advise the representative on the Joint Committee on such matters as may be required;
  - e) to monitor the performance of the LGPS ACCESS Pool and its Operator and recommending actions to the ACCESS Joint Committee or ASU, as appropriate;
  - f) to receive and consider reports from the LGPS ACCESS Joint Committee and the Operator;
  - g) to undertake any other decisions or matters relating to the operation or management of the LGPS ACCESS Pool as may be required.
- (v) to assess the quality and performance of each Investment Manager and the relevant ACCESS Operator annually in conjunction with the Fund Investment Advisers and the Section 151 Officer;
- (vi) to monitor compliance of the investment arrangements with the Investment Strategy Statement;
- (vii) to monitor and review the Fund's compliance with the LGPS Scheme Advisory Board adopted Code of Transparency and UK Stewardship Code;

# Essex Pension Fund

## Investment Steering Committee

- (viii) to assess the risks assumed by the Fund at a global level as well as on a manager by manager basis;
- (ix) to approve and to review annually the content of the Pension Fund Treasury Management Strategy; and
- (x) to submit quarterly reports on its activities to the PSB.

### Training

The Essex Pension Fund has a dedicated Knowledge and Skills Strategy which applies to all members of the Committee and which includes the expectation to attend regular training sessions in order they may maintain an appropriate level of knowledge and skills to perform their role effectively.

### Essex Pension Fund Advisory Board

Members of the Essex Pension Fund Advisory Board (PAB) are permitted to attend the ISC, including during any items of private business. Comments may also be made by these persons subject to permission to speak being granted by the Chairman. In accordance with the Fund's Conflicts of Interest Policy, a member of the PAB may be asked to leave the room during an item where they have a potential conflict of interest.

<b>Essex Pension Fund Investment Steering Committee</b>	<b>ISC 07</b>
<b>Date: 16 June 2021</b>	

## **Responsible Investment (RI) Project Plan**

Report by Hymans Robertson in consultation with the Director for Essex Pension Fund and the Independent Investment Adviser, Mark Stevens

---

Enquiries to Jody Evans on 03330 138489

### **1. Purpose of the Report**

- 1.1 To set out a RI Project Plan outlining the Fund's approach to responsible investment in line with its RI Policy, including deliverables, timings and steps required to achieve this year's Business Plan areas of activity in relation to responsible investment and stewardship.

### **2. Recommendation**

- 2.1 The Committee **agree:**
  - the Fund's approach to responsible investment and stewardship as set out in the accompanying RI Project Plan; and
  - note the content of the report.

### **3. Background**

- 3.1 Over the last 2 years the Committee has dedicated considerable time and focus of attention to formulating its RI Policy, establishing its RI Beliefs and Priorities. The RI Policy, Beliefs and Priorities attached at Appendix A, forms parts of the Investment Strategy Statement that was approved by the ISC at their October 2020 meeting following a full stakeholder consultation.
- 3.2 Following the outcome of a dedicated RI Workshop in March 2021, Members at the 24 March 2021 ISC meeting agreed that the RI Policies and Priorities remain appropriate and that the review of the passive mandate be undertaken.
- 3.3 The 2021/22 Essex Pension Fund Business Plan also includes the following:
- the development of the submission to become a signatory to the Financial Reporting Council (FRC) UK 2020 Stewardship Code;
  - the commencement of the annual review of all investment managers' compliance with the Fund's RI and Stewardship Policy; and
  - the development of Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures (TCFD)).
- 3.4 The report attached at Appendix B outlines a proposed RI Project Plan, including the workstreams, timings and steps required to be undertaken to achieve this year's Business Plan areas of activity in relation to responsible investment and stewardship.

### **4. Background Papers**

- 4.1 Outcome of the Responsible Investment Workshop, ISC03, 24 March 2021.
- 4.2 Essex Pension Fund (EPF) - Three Year Business Plan and 2021/22 Budget, PSB04a, 17 March 2021.
- 4.3 Investment Strategy Statement as published on [www.essexpensionfund.co.uk](http://www.essexpensionfund.co.uk)

# Responsible Investment Policy



# Essex Pension Fund

## Responsible Investment Policy

### Environmental, Social & Governance Considerations

#### Fiduciary duty

The fundamental responsibility of the Fund is to ensure that it has adequate monies available to pay pensions as they fall due. This objective must be achieved in a cost-effective way for members, employers and the taxpayer. Moreover, in reaching decisions, the Fund must comply with its fiduciary responsibilities.



#### Responsible Investment (RI) Policy

The ISC recognises that environmental, social and governance (ESG) factors (including those related to climate risk) can influence long term investment performance and the ability to achieve long term sustainable returns. To this end the Committee identified four key headline responsible investment beliefs, with a number of sub beliefs sitting underneath these headings. The Committee in formulating the Responsible Investment Policy below have incorporated the Fund's investment beliefs articulated on page 5.

#### Investment Strategy

1. The RI Policy should be integral to the investment strategy and not considered in isolation.
2. The Fund should minimise exposure to securities where environmental or social aspects could be financially detrimental to the portfolio.
3. Investments expected to deliver positive environmental or social benefit are encouraged as long as they are not expected to dilute overall returns.

#### Engagement and Voting

4. The ISC will only exclude stocks in limited or specific instances but will actively encourage engagement and work collaboratively with other investors to increase the impact of engagement.

#### Managers/implementation

5. The ISC will seek to implement mandates in line with its RI Policy.
6. ESG factors should (amongst others) be an integral component in the consideration of investment in a stock by active managers.
7. For passive allocations, in choosing the reference benchmark, careful consideration will be given to the ESG aspects of that benchmark. Although it is recognised that the passive manager has no choice of stocks within the benchmark index, the passive manager will be expected to actively engage with companies held to the benefit of the Fund and its members.
8. The ISC will seek to utilise mandates in line with its RI Policy and expects these to be made available via the ACCESS Pool.

# Essex Pension Fund

## Responsible Investment Policy

### Monitoring/governance

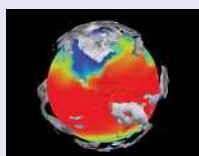
9. The ISC will monitor and challenge their providers on their ESG implementation and any intended changes over time.
10. The ISC will take a long-term view on RI, including the direction of travel as well as the current implementation.

### Collaborative working

In line with their belief and policy to work collaboratively with other pension funds to increase the strength of its voice in RI matters, the Committee agreed at its November 2019 meeting to join Local Authority Pension Fund Forum ('LAPFF') as part of a drive to work collaboratively with others on RI issues.

### Priority for RI consideration and engagement

The Committee recognises that there are a range of interested parties all of whom will have differing interests in the Fund and as such have identified the following areas which it expects the Fund's investment managers to treat as priorities when engaging with companies invested in on the Fund's behalf:



Climate change



Resource scarcity



Pollution



Weapons



Remuneration



Labour Practices



Employee relations



Company governance



Manager board structure



Gender diversity

# Essex Pension Fund

## Responsible Investment Policy

### Exercise of voting rights

#### Assets outside the ACCESS Pool

The Fund has instructed its investment managers to vote in accordance with their in-house policies and practices within the framework of the ISC's agreed policies which has been shared with the investment managers as set out above.

#### Assets inside the ACCESS Pool

The ACCESS pool has formulated a voting guidance which it expects each of the underlying investment managers managing sub funds on its behalf to comply with or when this is not the case to provide an explanation.

The Fund fully supports the UK Stewardship Code and requires those of its investment managers who hold shares on its behalf to comply with it or to provide the ISC with an explanation of why it is not appropriate to do so, in the exercise of the mandate that they have been given, and how they will instead achieve and demonstrate the same level of responsible share ownership.

The majority of the Fund's investment managers are signatories to the UK Stewardship Code and have all gained a Tier 1 status (demonstrating a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary).

### Engagement

The Fund expects its investment managers to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. The Fund also expects its investment managers to engaged with companies held on all matters in regard to Good Stewardship. The Fund believes taking account of such consideration's forms part of the investment managers' normal fiduciary duty.

### Ongoing Monitoring

The Committee actively monitors the Fund's investment managers' approaches. As part of this regular manager monitoring, the ISC will challenge their managers on how they consider and manage all financial risks faced by their investments, including those that arise from ESG considerations. The Committee also strives to improve and develop their knowledge and understanding on how ESG factors will impact the Fund's investments in the future.

### Stock Lending

The policy on stock lending (below) reflects the nature of the mandates awarded to investment managers by the ISC, which include both pooled and segregated mandates:

#### Assets within the ACCESS Pool

The Fund participates in ACCESS's stock lending programme for investments under ACCESS Pool governance.



# Essex Pension Fund

## Responsible Investment Policy

### Segregated Investments

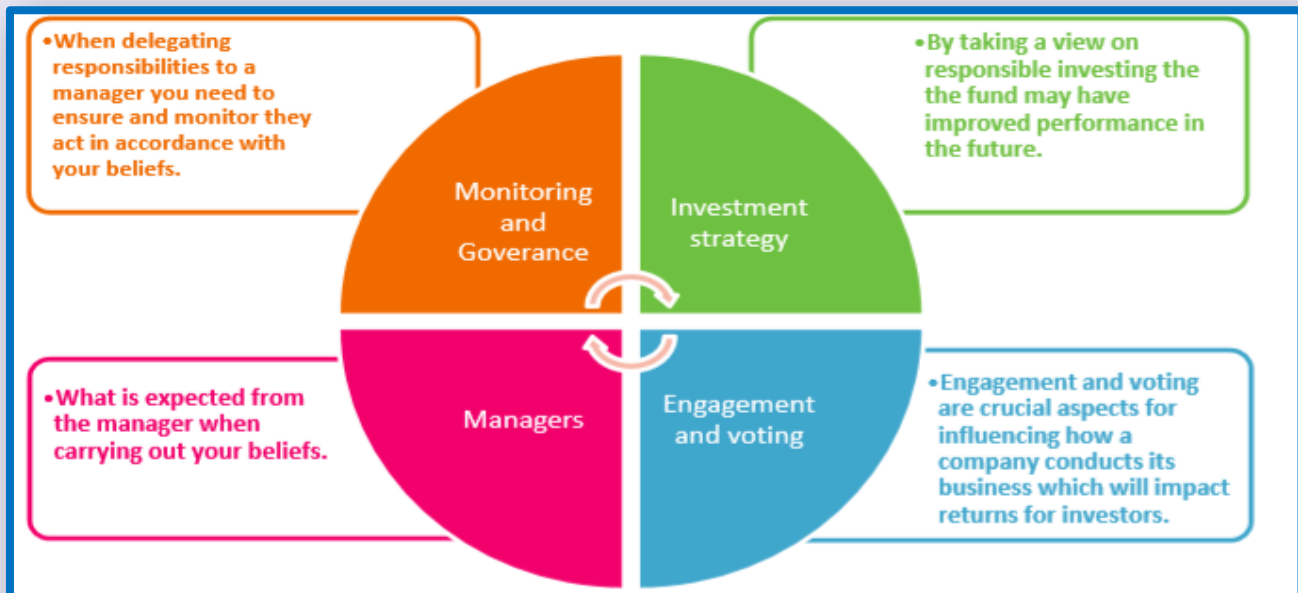
The Fund does not participate in stock lending schemes nor allow its stock to be lent.

### Pooled Investments

In regard to the Fund's pooled investments, where the Fund is buying units in a pooled vehicle, stock lending is outside the control of the Fund and undertaken at the discretion of the pooled fund manager.

### RI Investment Beliefs

The Committee have articulated a set of RI investment beliefs based on the four key headline beliefs below:



### Investment strategy (IS)

1. Having a responsible investment policy could lead to better financial outcomes.
2. Having a responsible investment policy could lead to better outcomes for society.
3. Long term, businesses with more sustainable practices should outperform.
4. Allowing for the impact of ESG issues has many dimensions to it.
5. The Fund should avoid/limit exposure to securities where environmental or social aspects will be financially detrimental to the portfolio.
6. Environmental and social investing only needs to not be detrimental to returns.
7. Poor management of ESG risks has led to financially material losses in the past and is expected to do so in the future.
8. ESG is a factor, but not the only factor in choosing investments.

# Essex Pension Fund

## Responsible Investment Policy

### Engagement and voting (EV)

1. Engagement in a company is more effective than disinvesting from the company.
2. Engagement and voting are influential and can be effective in changing behaviour and improving the Fund's performance as well as having a positive impact on the environment/society.
3. Collaboration with other investors gives the Fund a stronger voice.

### Managers (M)

#### 1 Passive managers

- 1.1. The only influence an investor has on a passive manager is the choice of benchmark and level of engagement.
- 1.2. The choice of benchmark is important as it defines the investment portfolio.
- 1.3. The Fund should be an active owner seeking to influence behaviour in investee companies.
- 1.4. The Fund should consider alternative indices that reflect ESG factors.
- 1.5. The direction of travel of the investee companies is even more important than their current scoring on ESG factors.

#### 2 Active managers

- 2.1. The social cost of companies will eventually need to be self-financed.
- 2.2. Managers should try as far as possible to price in the potential future impact of ESG risk in asset selection.
- 2.3. Active managers can take into account forward-looking metrics better than passive managers.
- 2.4. The Fund's investment managers should embed the consideration of ESG factors into their investment process and decision making, taking into account the direction of travel and not only current scoring.

### Monitoring and Governance (MG)

1. The ISC should not rely on the Pool for leadership on ESG issues.
2. The ISC should expect the Pool to be able to implement investments in line with its RI policy.
3. The Fund needs to engage and challenge managers on integrating ESG issues in their investment process in line with the RI policy.
4. An RI policy focussed on improving financial outcomes will be to the benefit of Fund stakeholders.

# Essex Pension Fund

## Responsible Investment Policy

---

5. It is best to engage stakeholders on the overall approach to managing the Fund rather than on RI policy only.
6. ESG factors should be incorporated into manager reporting in due course.



# Essex Pension Fund RI Project Plan

- Matt Woodman, Senior Investment Consultant
- John Dickson, Partner

# Introduction

## Purpose and addressee

- This paper, which is addressed to the Investment Steering Committee (“ISC”) of the Essex Pension Fund (“the Fund”), proposes a project plan to enable the Fund to develop its overall approach to responsible investment in line with its policy, including completing a submission to become a signatory to the 2020 UK Stewardship Code in 2022.
- This note should not be released or otherwise disclosed to any third party without our prior written consent except as required by law or regulatory obligation. We cannot be held liable for any loss incurred by a third party relying on this report without such permission.

## Background

- The areas of Environmental, Social and Governance (‘ESG’) and Responsible Investment (‘RI’) within the investment of LGPS assets (and wider pensions and investment in general) have been experiencing increasing scrutiny over the past few years.
- The ISC is committed to being a responsible investor and has undertaken an in-depth review of its ESG and RI beliefs, objectives, monitoring and implementation over the past couple of years.
- As part of demonstrating its commitment to addressing these issues, the ISC has set a target of becoming a signatory to the 2020 UK Stewardship Code in 2022, which is seen as the ‘gold standard’ for demonstrating good practice in these areas.
- This paper sets out a project plan of actions, timing and measures to achieve this year’s business plan in relation to responsible investment and stewardship.

# Responsible investment (RI) and Stewardship Code

There is a significant amount of activity planned over the next year under the banner of Responsible Investment (RI), as follows:

- Implementation of agreed RI policy, the next steps of which are:
  - Development and implementation of Fund's engagement strategy with its investment managers, including ACCESS;
  - Commencement of the annual review of all investment managers' compliance with the Fund's RI and stewardship policy;
  - Review of passive equity mandate and underlying index construction.
- Developing climate change policy objectives and metrics as part of the Taskforce for Climate-related Financial Disclosures (TCFD) framework.
- Becoming a signatory to the 2020 UK Stewardship Code.

There are many tasks in common across these three areas (e.g. developing the engagement strategy with managers will be a key component of the Stewardship Code submission; the metrics identified as part of the TCFD framework can be aligned to the metrics used in monitoring the managers' approaches). It therefore makes sense to consider all areas as part of the overall plan.

# Timeline for achieving submission



# Key dates

## Stewardship code

- The key date to be a 2022 signatory is 30 April 2022 for final submission covering the period 1 January 2021 to 31 December 2021.

## TCFD

- Currently there are no requirements for LGPS to report under TCFD; however, consultation on this is expected very soon with likely requirements coming in from 2022/23, with reporting in the second half of 2023.

## ISC dates [to be confirmed]

- Below is a list of the ISC meeting dates, which mark key milestones in the project plan.
- 16 June 2021
- 13 October 2021
- 24 November / 2 December 2021
- 23 February 2022

# Project plan (ISC meetings)

Meeting	Deliverables	Decisions and actions
16 June 2021	<ul style="list-style-type: none"> <li>• Training on requirements</li> <li>• Proposed scope and project plan</li> </ul>	<ul style="list-style-type: none"> <li>• Agree scope of activities and project plan</li> </ul>
Training	<ul style="list-style-type: none"> <li>• TCFD framework and requirements</li> <li>• Key climate metrics (for manager monitoring, TCFD metrics and targets)</li> <li>• Equity benchmarks with RI credentials (for passive equity mandate)</li> </ul>	
13 October 2021	<ul style="list-style-type: none"> <li>• Proposal on passive equity benchmarks</li> <li>• Early draft of Stewardship Code submission (template with gaps)</li> <li>• Proposed climate metrics and targets (for manager monitoring and TCFD)</li> <li>• Meet manager with focus on RI themes (with new format briefing note)</li> </ul>	<ul style="list-style-type: none"> <li>• Agree approach to passive equity benchmarks and document as part of RI policy</li> <li>• Agree climate metrics and targets</li> <li>• Identify areas for ongoing engagement with manager</li> </ul>
24 November / 2 December 2021	<ul style="list-style-type: none"> <li>• Initial engagement plan with all managers including progress to date</li> <li>• Proposal on communication and engagement with key stakeholders</li> <li>• Meet manager with focus on RI themes</li> </ul>	<ul style="list-style-type: none"> <li>• Agree engagement plan</li> <li>• Agree communication plan</li> <li>• Identify areas for ongoing engagement with manager</li> </ul>
Training	<ul style="list-style-type: none"> <li>• Follow up Stewardship Code training, including Fund escalation policy</li> </ul>	<ul style="list-style-type: none"> <li>• Agree Fund escalation policy</li> </ul>
23 February 2022	<ul style="list-style-type: none"> <li>• Final draft of Stewardship Code submission, including Fund escalation policy</li> <li>• Annual review of managers' compliance with Fund's RI and stewardship policy</li> <li>• Meet manager with focus on RI themes</li> </ul>	<ul style="list-style-type: none"> <li>• Delegate completion of Stewardship Code submission to O&amp;A for submission by 30 April 2022</li> <li>• Identify areas for ongoing engagement with manager</li> </ul>

# Project plan (O&A)

Meeting	Deliverables / outcomes	Information / engagements
May	<ul style="list-style-type: none"> <li>Develop scope and project plan</li> </ul>	
June - July	<ul style="list-style-type: none"> <li>TCFD, metrics, benchmarks training materials</li> <li>Scope of benchmark review and range of market approaches</li> <li>Draft (skeleton) of overall engagement approach</li> </ul>	<ul style="list-style-type: none"> <li>Obtain manager and ACCESS policies on managing conflicts</li> <li>Obtain initial information on actual engagements and voting activity (to be included in regular reporting)</li> </ul>
20 July O&A	<ul style="list-style-type: none"> <li>Determine preferred approach to passive</li> </ul>	<ul style="list-style-type: none"> <li>Test engagement approach with up to two equity managers</li> </ul>
July - Sept	<ul style="list-style-type: none"> <li>TCFD consideration of metrics and targets</li> <li>Further research on passive benchmarks</li> <li>Develop reporting templates for engagement approach, including initial manager reporting requirements</li> <li>Develop skeleton stewardship code submission</li> </ul>	<ul style="list-style-type: none"> <li>Discussions with ACCESS and UBS re: passive equity benchmarks</li> <li>MSCI (or alternative) re: climate metrics</li> </ul>
14 Sept O&A	<ul style="list-style-type: none"> <li>Agree passive equity proposals and proposed climate metrics and targets for ISC</li> </ul>	<ul style="list-style-type: none"> <li>Test engagement approach with up to two non-equity managers</li> </ul>
Sept	<ul style="list-style-type: none"> <li>Finalise October ISC papers – passive equity, stewardship code submission early draft, proposed metrics and targets for manager reporting and TCFD</li> </ul>	

# Project plan (O&A) - continued

Meeting	Deliverables / outcomes	Information / engagements
19 Oct O&A (may need another or later date)	Consider results of ESG and climate scenario modelling for TCFD and stewardship code principle 4 Review of communication and engagement with all stakeholders Review of collaborations and potential collaborations	Engagement with 2 managers using proposed approach
Oct – Nov	Develop implementation plan on passive equity approach Finalise papers for November / December ISC – overall engagement approach, proposed comms strategy and potential collaborations	
Dec 2021 – Jan 2022	Develop Fund escalation policy Training materials on Stewardship Code and escalation of engagements and climate scenario modelling	Obtain manager and ACCESS policies on escalation of engagements Obtain further information on actual engagements and voting activity (part of regular reporting)
11 Jan O&A	Review progress of stewardship code submission, including live examples of impact of engagements Review proposed escalation policy	Engagement with two managers using agreed approach
Jan – Feb 2022	Annual review of managers' compliance with RI and stewardship policy Finalise papers for February ISC including final draft of Stewardship Code submission	O&A meeting to finalise February papers
Mar – Apr 2022	Finalise Stewardship Code submission	O&A meeting to finalise submission

# Implementing RI Policy

# Manager engagement and annual review – key tasks

- Develop process of engagement and plan for covering all managers (directly or via ACCESS) over the next year. To include:
  - Programme of meetings with managers
  - Key areas for engagement with the managers
  - Key portfolio metrics and analysis
  - Reporting requirements from managers
  - Approach to each manager engagement – preparatory materials and documentation templates
  - Identify levels of delegation / roles and responsibilities – O&A, ISC
- Implement programme of manager engagements (e.g. approximately 2 managers at each O&A meeting; separate O&A meetings to focus on manager engagements) – including preparatory materials and recording of outcomes and next steps.
- Develop additional reporting to the ISC on engagements, including:
  - Manager briefings to include engagement goals with managers attending ISC meetings.
  - Annual review of managers' compliance with Fund's RI and stewardship policy.
- Defining the reporting required from the managers as part of their regular reporting (we propose this is done at the point of engaging with each manager).
- Review and documentation of final engagement process based on experience (this will likely be an iterative process over the years).

# Review of approach to passive equities – key tasks

- Agree scope of review and key quantitative metrics.
- Review of market approaches, including those available from UBS.
- Engagement with ACCESS on potential solutions.
- Engagement with UBS on potential solutions.
- Final proposal to ISC.

TCFD



# TCFD recommendations

- The Task Force established recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.
- Their widespread adoption will ensure that the effects of climate change become routinely considered in business and investment decisions and will help better demonstrate responsibility and foresight in their consideration of climate issues, leading to smarter, more efficient allocation of capital, and helping to smooth the transition to a more sustainable, low carbon economy.
- The Task Force divided climate-related risks into two major categories: risks related to the transition to a lower-carbon economy; and risks related to the physical impacts of climate change. Recommendations were based on four thematic areas.



## **Governance**

- The organisation's governance around climate-related risk and opportunities

## **Strategy**

- The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

## **Risk management**

- The processes used by the organisation to identify, assess and manage climate related risks.

## **Metrics and targets**

- The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

# Recommended disclosures

## Governance

- a. Describe the board's oversight of climate-related risks and opportunities.
- b. Describe management's role in assessing and managing climate related risks and opportunities.

## Strategy

- a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.
- b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

## Risk Management

- a. Describe the organisation's processes for identifying and assessing climate-related risks.
- b. Describe the organisation's processes for managing climate-related risks.
- c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

## Metrics and Target

- a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
- b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- c. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.

# Key tasks

- Currently there are no requirements for LGPS to report under TCFD...
- ...however, consultation on this is expected very soon with likely requirements coming in from 2022/23.
- Although there will be differences, it is likely to be largely aligned with guidance for private sector schemes.
- Some authorities have developed TCFD reporting. Even if not fully aligned with the final outcome of consultation, this will be a very useful step.
- There is material overlap with the broader implementation of RI policy and the requirements for the stewardship code submission, which should help.

## Key tasks based on private sector guidance include (tasks in 2021/22 plan shown in bold):

- Gap analysis of what is in place (or will be in place as a result of other activity) versus requirements for full reporting.
- Identify and assess the impact of climate related risks and opportunities that will impact the investment and funding strategy of the Fund over different time horizons.
- Scenario analysis to assess the resilience of the Fund's assets, liabilities and investment and funding strategy to climate related risks in at least two scenarios (including one scenario that reflects an annual temperature rise of 1.5 to 2 degrees Celsius).
- Develop and maintain processes for identifying, assessing and managing climate-related risks and ensure the integration of climate-related risks into overall risk management (e.g. risk registers).
- **Identify key metrics to monitor (guidance is a minimum of two emissions based metrics – one absolute measure and one intensity based – and an additional climate change metric) and source of data required to calculate the chosen metrics on an annual basis.**
- **Set targets for chosen metrics and measure performance against targets annually, including a review of the targets/**
- Draft TCFD reporting.

# 2020 UK Stewardship Code

# 2020 UK Stewardship Code overview

The following is taken from Mark Steven's paper to the ISC (see paper for detailed commentary on each principle).

The code defines stewardship as “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”. The code for asset owners such as the Essex Pension Fund covers all asset classes and comprises 12 comply and explain principles (rather than prescribed requirements). Any submission is expected to contain information in the following format:

1. Context (why are we doing this?)
2. Activities (what are we doing and how are we engaging?)
3. Outcomes (what are the desired consequences and have these been achieved?)

## Section 1: Purpose and governance

- *Principle 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society*
- *Principle 2: Signatories' governance, resources and incentives support stewardship*
- *Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first*
- *Principle 4: Signatories identify and respond to market wide and systemic risks to promote a well functioning financial system*
- *Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities*

# 2020 UK Stewardship Code overview (continued)

## **Section 2: Investment approach**

- *Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them*
- *Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities*
- *Principle 8: Signatories monitor and hold to account managers and/or service providers*

## **Section 3: Engagement**

- *Principle 9: Signatories engage with issuers to maintain or enhance the value of assets*
- *Principle 10: Signatories, where necessary, participate in the collaborative engagement to influence issuers*
- *Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers*

## **Section 4: Exercising rights and responsibilities**

- *Principle 12: Signatories actively exercise their rights and responsibilities*

# Submission

- Organisations will have to submit an annual Stewardship Report explaining how they have applied the Code over a 12-month period. The report must be reviewed and approved by the applicant's governing body, and signed by the chair, chief executive or chief investment officer.
- The FRC will evaluate reports and notify organisations of the outcome of their application shortly before the first list of signatories is published (privately for failed submissions). Organisations that meet the reporting expectations will be listed as signatories to the Code on the FRC website with a link to their report.
- Once the applicant has been accepted as a Code signatory and the report is approved by the FRC, the report will be a public document and must also be made available on the signatory's website.
- The key date to be a 2022 signatory is 30 April 2022 for final submission covering the period 1 January 2021 to 31 December 2021.

# Evaluating the current position on Stewardship Code



# Evaluating the current position

The following table, taken from Mark Steven's paper to the ISC, evaluates the Fund's position against each of the principles.

Purpose and Governance	Principle description	Stewardship objective	Current status	Resource requirement	Comments
P1	Purpose of EPF and investment beliefs	Understanding of the strategy and culture of the signatory	Updated ISS and /RI workshops completed	<b>Low:</b> as majority of information already available	Expected to be a one off exercise
P2	EPF internal governance structure and resources	Identification of the governance structure and resources	Documentation of the governance structure and personnel and training will be required much already exists	<b>Low:</b> this will be a matter of formalising and documenting the various governance roles	Much of this documentation already exists it will be a matter of making it code ready
P3	Management of conflicts of interests	Detail how any actual or potential conflicts are handled	Managers will need to be contacted about how conflicts are managed on behalf of the fund	<b>Low:</b> initial documentation of process will be available with minimum updates needed for future submissions	ACCESS will need to provide updated information on this principle for pooled assets
P4	Identification / monitoring of systemic risks	Detail role played in industry initiatives in improvement of financial system	Mainly for fund manager input although integration into risk register seems appropriate	<b>Low:</b> another input from manager monitoring templates	Risk controls and fund rebalancing can be documented for this principle

# Evaluating the current position

Purpose and Governance	Principle description	Stewardship objective	Current status	Resource requirement	Comments
P5	Review of effectiveness	Requirement to review and monitor policies for effectiveness	A review process will need to be agreed with managers	<b>Substantial:</b> requirement in the build out phase also impacts P10	A review structure will need to be agreed with every manager employed by the fund
P6	Communication of stewardship approach to beneficiaries	EPF need to communicate why the stewardship activities adopted are appropriate for beneficiaries	Much of this can be derived from the ISS and the included in regular updates	<b>Low:</b> in terms of additional workload, some enhancements may be required to website or newsletters	The regular communication to beneficiaries either directly or via website can be repurposed to fulfil this principle
P7	Integration of ESG/RI policy in appointment of managers	Need for the integration of ESG/RI policies into mandate awards and on going monitoring	Although this principle is partly implemented more work on evidencing will need to be carried out	<b>Moderate:</b> This work will form part of building of the manager reporting templates and a review of ITT processes	The on-going integration will be included on manager reporting templates. ACCESS will ultimately be involved.
P8	Monitoring, accountability and holding to account of managers and service providers on RI/ESG policy issues	Requirement to hold managers to account confirmation that assets run in line with RI policy	The existing process will need to be enhanced, documented and implemented	<b>Substantial:</b> Development of the enhanced monitoring process and reporting template will evolve into a regular review and engagement process with managers	Linked with P7  This can be thought of as the core BAU outcome of becoming a signatory to the code.

# Evaluating the current position

Purpose and Governance	Principle description	Stewardship objective	Current status	Resource requirement	Comments
P9	Engagement with issuers	Signatories via representatives should engage with issuers	Details of manager engagement and outcomes will need to be documented and evidenced	<b>Substantial:</b> although the data will be provided by managers a substantial amount of collation and documentation required	Linked to P7 and P8  This one of the major on going tasks for signatories
P10	Collaborative engagement	Covering both direct EPF collaboration i.e. LAPFF and manager collaboration i.e. Climate 100+ UN PRI	Reporting and evidence process will need to be developed with managers	<b>Moderate:</b> the submission will need to provide specific examples of collaboration and outcomes	This will need to be incorporated in the manager monitoring template
P11	Escalation policy towards issuers	Explain the expectations for escalation set for asset managers of the fund	This has not been formally agreed and will need to be included in the review policies developed with managers	<b>Low:</b> the additional information required for this principle can be included in the manager templates	Thought will need to be given for how different asset types are treated in this regard
P12	Exercising of rights including voting policy	Signatories must actively exercise rights across all geographies	Although voting policy is in place additional work will be required for other asset classes. Also an important role for ACCESS	<b>Moderate:</b> a process and policy will need to be agreed with all managers including an on-going review process	This principle will form part of the extensive ESG/RI template used for monitoring external managers across multiple principles

# Dependencies

There are a number of dependencies for completion of the stewardship code submission on work already intended as part of the engagement programme and on additional work and information which are important to understand in outlining a project plan.



Principle	No dependency	More information *	Benchmark review	Engagement programme	Evidence of impact	Additional work
1	All					
2	Part			Yes		
3		Conflict policies				
4			Yes	Yes		ESG scenarios
5				Yes	Yes	
6	Part	Engagements			Yes	Review comms
7	Part			Yes	Yes	
8				Yes	Yes	
9				Yes	Yes	
10	Part	Collaborations				Other collaborations?
11	Part	Escalation policies		Yes		Escalation policy
12	Part	Voting activity				

\* Managers and ACCESS



# Thank you

This Powerpoint presentation contains confidential information belonging to Hymans Robertson LLP (HR). HR are the owner or the licensee of all intellectual property rights in the Powerpoint presentation. All such rights are reserved. The material and charts included herewith are provided as background information for illustration purposes only. This Powerpoint presentation is not a definitive analysis of the subjects covered and should not be regarded as a substitute for specific advice in relation to the matters addressed. It is not advice and should not be relied upon. This Powerpoint presentation should not be released or otherwise disclosed to any third party without prior consent from HR. HR accept no liability for errors or omissions or reliance upon any statement or opinion herein.



<b>Essex Pension Fund Investment Steering Committee</b>	<b>ISC 08</b>
<b>Date: 16 June 2021</b>	

## **Schedule of Future Meetings and Events**

Report by the Compliance Manager

Enquiries to Amanda Crawford on 03330 321763

---

### **1. Purpose of the Report**

- 1.1 To provide the Committee with an update on the schedule of future meetings and events.

### **2. Recommendation**

- 2.1 That the Committee:
  - **agree** the dates of the ISC for municipal year 2021/22 as detailed in Section 5; and
  - note the content of the report.

### 3. Background

- 3.1 The Committee were made aware, at their meeting on 27 November 2019, that future meetings and events would be brought to each meeting to enable, where required, the process of approval by the Foreign Travel Committee for attendance at any conferences/seminars be incorporated within the Committee's timetable.

### 4. Upcoming Event(s)

- 4.1 Due to the current restrictions in place as a result of the Covid-19 pandemic, there are no upcoming events that require travel to note. However, there is an increase in webinars being hosted by various organisations within the LGPS and Fund Managers. As and when any such webinars are announced, the Compliance Team will provide the Committee with a communication to invite all Members to register for the event should they wish to do so.

### 5. Schedule of Meetings

- 5.1 The schedule of meetings for the new municipal year 2021/22 are as follows:

Investment Steering Committee	
Wednesday 13 October 2021	10am – 1pm
Monday 29 November 2021	10am – 4pm
Wednesday 23 February 2022	10am – 1pm

Training Days	
Day 1 – EPF Back to Basics	November 2021 TBC
Day 2 – Responsible Investment	TBC

### 6. Finance and Resources Implications

- 6.1 If an event costs more than £500 for one member or £1,000 in total, then prior approval for any travel by the Foreign Travel Committee is compulsory.



## **7. Background Papers**

### **7.1 Schedule of Future Meetings and Events, ISC 06 – 24 March 2021.**

