

PENSION FUND COMMITTEE – 1 MARCH 2024

DEVELOPMENT OF THE FUND'S RESPONSIBLE INVESTMENT POLICY

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to agree the draft Responsible Investment Policy as presented at Annex 1 to this report as the basis of a consultation exercise with key Fund Stakeholders.**

Introduction

2. Over recent years, the issue of responsible investment has become a much more important element of this Committee's discussions in exercising their fiduciary duty in respect of the Fund's investments. In June 2020, the Committee approved its first Climate Change Policy as part of its revised Investment Strategy Statement, recognising that climate change now represented the single most important factor impacting on the long-term investment performance of the Fund.
3. It was also recognised by the Committee that there were a number of other material financial risks to the long-term investment performance of the Fund arising from wider responsible investment issues. Following the establishment of and appointment to, the new post of Responsible Investment Officer for the Fund, the Committee has requested the development of a broader Responsible Investment Policy, setting out the Fund's approach to responsible investment and the current issues which it sees as of highest priority.

Development of Draft Policy.

4. The initial draft of the Fund's first Responsible Investment Policy is presented as Annex 1 to this report and has been developed by the Officers following a wide engagement programme. This engagement programme has included a survey of scheme members, which as reported to the last Committee resulted in over 4,000 responses. The Fund's Responsible Investment Officer also led a presentation to the Employers Forum on 24 January 2024, where those present were invited to provide feedback.
5. We then held a half-day workshop on 26 January 2024 to which all members of the Pension Fund Committee and Pension Board were invited. This workshop was facilitated by an Independent Facilitator, who supported the officers in determining the objectives for the workshop, managing the discussion on the

day, and producing a summary of the key decisions. The discussion documents for the workshop were developed by the Fund's officers following engagement with the Responsible Investment team at Brunel, a review of responsible investment policies published by other pension funds, and a detailed review of the research papers published on the issues and risks associated with the responsible investment agenda. The feedback from the member survey and session at the Employer Forum was also fed into the discussion papers.

6. Those present at the workshop noted both the quality of the discussions and the degree of consensus reached on both the key investment principles and the short-term priorities for the Fund. The outcome of the workshop has now been incorporated in the first draft of the Responsible Investment Policy.
7. As noted in the Policy, it is intended to produce a further document, an Responsible Investment strategy document, which will be developed to sit alongside this Responsible Investment policy. This document will set targets, identify benchmarks and enable progress against the Policy to be measured. This will help support the review and assurance process for the Policy, as well as allowing the fund to hold asset managers and other service providers to account around the delivery against the fund's Responsible Investment requirements.
8. In developing both this initial draft Responsible Investment Policy and the subsequent Responsible Investment Strategy Document, it is important to balance the work to be undertaken within this area with the available resources. Neither Oxfordshire nor Brunel have the capacity to engage across the wide spectrum of responsible investment issues. Within the Policy, attempts have been made to identify the clear sub-priority areas within each of the main priority headings, and this will be further refined in the strategy document.

Next Steps

9. The Committee are invited today to review the draft policy as presented at Annex 1 and confirm it is consistent with the consensus views developed at the workshop. The draft policy then needs to be subject to a formal consultation exercise, which would again include scheme members, scheme employers, and key stakeholders, including Brunel, and the partner funds.
10. The intention would then be to bring a final version of the Responsible Investment Policy to the June Committee for approval, along with the first draft of the Responsible Investment Strategy Document. As noted in the Policy, both documents would be subject to regular review to reflect both the rapidly changing nature of the key issues within the responsible investment space, and the available resources to undertake work in this area.

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