

# London Borough of Lewisham Pension Fund – Draft Responsible Investment Beliefs Statement

## Introduction

This paper is addressed to the Pensions Investment Committee (“PIC”) of the London Borough of Lewisham Pension Fund (“Lewisham”; “the Fund”). The purpose of the note is to provide members with a proposed draft Responsible Investment Beliefs statement, for discussion, feedback, and subsequent ratification.

It should not be used for any other purpose and it should not be released to any third party except as required by law or without our prior written consent, in which case it should be released in its entirety. We cannot be held liable for any loss incurred by a third party relying on this report without such permission.

## Background

The Committee have been building their responsible investment knowledge and activities over recent years, receiving training on various key topics. At the end of 2022, the PIC was asked to respond to a survey discussing a wide range of responsible investment (“RI”) statements. These statements would form the basis for a discussion into potential RI beliefs, from which a RI policy (to be included within the Fund’s Investment Strategy Statement) could be constructed.

PIC members responded anonymously to the survey, the results were aggregated and each statement was given an average score out of 5, with anything above 4 deemed to have sufficient interest to warrant inclusion as a belief. Anything above 3.5 was debated in further detail at the meeting as a “potential” inclusion, and anything below 3.5 was excluded by virtue of clear lack of collective support. It was agreed that the results of the survey, would be used to support the creation of the draft RI Beliefs that follows below.

## Next steps

The **PIC is asked to review the draft Responsible Investment Beliefs** and confirm whether this draft can be considered final, or provide feedback on any required amendments. Following approval, the PIC may wish to publish this on their website as standalone document, or include within an updated Investment Strategy Statement via a formalised Responsible Investment Policy.

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February 2023

For and on behalf of Hymans Robertson LLP

### London Borough of Lewisham Pension Fund - Responsible Investment Beliefs Statement

Alongside the objectives set out in the Fund's Investment Strategy Statement, the Pension Investment Committee believe that:

1. The Fund recognises the primacy of its fiduciary duties, but believes that it can still exercise these while investing responsibly, and securing the required investment returns to ensure the financial sustainability of the Fund.
2. Responsible Investment issues (including Environmental, Social and Governance factors, and particularly climate risk) can have a material impact on the long-term performance of the Fund's investments and the Fund's reputation.
3. Climate change and the expected transition to a low carbon economy is an area of significant financial risk and opportunity to the Fund, and therefore the Fund will seek to proactively manage risks and pursue long-term investment opportunities arising from this.
4. The sustainability of investment returns over the long-term, even beyond the expected investment horizon of the Fund, is important.
5. The Fund's investment managers and its Pool (the London Collective Investment Vehicle ("LCIV")) should demonstrate their commitment to responsible investment by being signatories to the Principles for Responsible Investment and UK Stewardship Code.
6. The LCIV is a key component of the Fund successfully delivering on its RI objectives and any climate-related targets set. The Fund will actively engage with, and monitor, LCIV and expects it to provide leadership in helping Funds address the potential risks associated with ESG, and particularly climate change.
7. The Fund should ensure that LCIV exercises robust stewardship of its assets, with underlying managers expected to deliver consistent votes (except for in limited exceptional circumstances) on common company resolutions.
8. The Fund recognises its responsibility to proactively monitor investment managers' integration of ESG analysis, and voting and engagement activities regularly, and hold managers accountable for their decisions.
9. Investment managers are best placed to implement policy on ESG matters. They should embed ESG and RI considerations throughout their processes, be responsible for engaging with investee companies and issuers on ESG factors and take responsibility for voting (where relevant), disclosing to the Fund on all such activities.
10. Responsible ownership of companies benefits long-term asset owners. Companies that manage their business responsibly are expected to outperform companies that do not, over the longer term.
11. The Fund should be aware of, and monitor, financially material ESG-related risks, and issues (including voting and engagement activity) through its investment managers and will consider regular reporting (annual) on these areas.
12. Divestment on ESG grounds can be a mechanism for managing ESG risks and should be considered if engagement with individual companies proves unsuccessful, or is unlikely to have impact. The Fund will consider mandate constraints and wider practicalities prior to any divestment taking place.

13. Appropriate disclosure of the Fund's responsible investment activities is a priority for the Fund to ensure accountability, and the Fund will also seek to collaborate with other institutional investors on RI issues to deliver greater impact than it could achieve individually.
14. The Fund believes that it is necessary and desirable to set a net-zero investment emissions target. It will prioritise this activity to ensure a credible plan for the delivery of an agreed net zero objective is constructed.

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