

MEETING: **PENSIONS COMMITTEE**

DATE: **8 NOVEMBER 2018**

TITLE: **INVESTMENT STRATEGY STATEMENT**

PURPOSE: **TO ASK THE PENSIONS COMMITTEE TO ADOPT THE AMENDED STATEMENT**

RECOMMENDATION: **APPROVE THE AMENDED STATEMENT**

AUTHOR: **CAROLINE ROBERTS, INVESTMENT MANAGER**

1. INTRODUCTION

The Pensions Committee adopted the Investment Strategy Statement (ISS) in March 2017 in accordance with the new legislation. The ISS replaced the Statement of Investment Principles (SIP).

2. RESPONSIBLE INVESTMENT

Following a session with Fund Advisors regarding Environmental, Social and Governance (ESG) for members of the Pensions Committee and the Pension Board, the Investment Panel discussed a paper from Hymans Robertson on investment principles.

The Committee and the Board agreed on the following principles which have been included in the ISS at **Appendix A**.

- 2.1 In accordance with the Committee's fiduciary duty, financial considerations should carry more weight than non-financial considerations when making investment decisions, even though environmental, social, and governance ('ESG') matters can materially affect risk and returns. Therefore, 'ESG' factors should be embedded in the investment processes and in the decision-making processes of the managers appointed by the Fund.
- 2.2 The Fund's Committee will seek to invest in sustainable assets, including investing within the Wales area when non-financial investments can derive from this, on condition that they satisfy the requirements of the fiduciary duty.
- 2.3 The Committee accepts that it has a duty to be a responsible investor. It is expected that consulting with companies, rather than avoiding investing, will be more effective in changing corporate behaviour and reducing risk. Wherever possible, collaborative action provides the most successful route to influence outputs.

- 2.4 As a long-term investor, the Fund is vulnerable to systemic risks such as climate change and the expectation of a transfer to a low carbon economy. Financial outcomes can be improved through managing how open to such risks the fund is.
- 2.5 Share-holder comprehension and outcomes can be improved through providing transparency at each step of the value-adding chain.

3. RECOMMENDATION

- 3.1 The Committee is asked to approve the amended Investment Strategy Statement which is attached at Appendix A.