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| <b>LONDON BOROUGH OF CAMDEN</b>   | <b>WARD:</b> All   |
| <b>REPORT TITLE:</b><br>Investor Belief Statement   |  |
| <b>REPORT OF:</b><br>Executive Director Corporate Services  |  |
| <b>FOR SUBMISSION TO:</b><br>Pension Committee  | <b>DATE:</b><br>26 November 2019   |
| <b>SUMMARY OF REPORT:</b><br><br>This report summarises the outcome of the workshop on Investor beliefs led by our independent investment adviser, Karen Shackleton, and supported by officers and our Investment Consultant, KPMG.             |  |
| <b>Local Government Act 1972 – Access to Information</b><br>No documents requiring to be listed were used in the preparation of this report:  |  |
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| <b>RECOMMENDATIONS:</b><br><br>The Committee is asked to:   |  |
| <ol style="list-style-type: none"> <li>1. Consider the financial investor beliefs (paragraph 2.1) and agree to adopt these</li> <li>2. Consider the responsible investment investor beliefs (paragraph 3.5) and agree to adopt these</li> </ol> |  |
| <b>Signed by</b>  |  |
| Director of Finance   | ..... <b>Agreed</b> .....  |
| Date  | ..... <b>15.11.2019</b> .....  |

## 1. INTRODUCTION

- 1.1. Evidence now suggests that ESG integration can improve risk adjusted returns and some asset managers will argue that it can drive outperformance in inefficient markets.
- 1.2. On 2 October the Pension Committee held an Investor Belief Statement Workshop led by our independent investment advisor, Karen Shackleton and attended by Members of the Pension Committee supported by officers and our Investment Consultants, KPMG. Karen drew on her experience at Pensions for Purpose, a collaborative group of investment professionals interested in impact investment. The slides from this workshop are included as **Appendix A**.
- 1.3. The UNPRI describes Investor Belief Statements as setting direction for investment policy, investment practice and organisational culture. They define how asset owners, such as this Fund, will create investment value and help asset owners make practical decisions about their investment style. These Investor Belief Statements are becoming increasingly popular to link more comprehensive policy documents such as the Fund's Investment Strategy Statement, voting policy and initiatives that the Fund is signed up to via LAPFF and directly, with overarching principles and a framework which is high-level and helps to succinctly guide the Committee.
- 1.4. There are some beliefs which the fund will hold that have a financial focus and others will be about responsible investment (Environmental, Social and Governance related or ESG for short). At the workshop members considered both sets of investor beliefs.
- 1.5. The UNPRI sets out seven steps for implementing Responsible Investment as follows:
  - Understanding the investment environment – the fund's legal requirements, industry codes of practice, the Fund's obligations, policies such as the Investment Strategy Statement
  - Define investment goals – such as meeting pension payments over the next 40 years, reducing the Fund's deficit, stabilising contribution rates for employers, the fund's approach to risk
  - Define investment beliefs – the subject of this report. The workshop considered how these beliefs focus on the most important drivers and investment decisions and are a lens for the Fund on how to add value and allow decision makers to take different investment approaches

- 1.6. The chart below shows the final four steps which all depend on the first three pillars.



Source: UNPRI

## 2. Financial Beliefs

- 2.1. There are a number of high level principles which the Fund should be clear about and communicate to interested parties to guide its approach to markets, asset allocation and investing in general. The Workshop considered these and the following had resonance with members:

- The Fund is a long term investor and invests predominantly with this time frame in mind – not to make short term gains
- Asset mix is important and drives performance over the long term
- The Fund will take appropriate professional advice to inform strategy and decision making
- The Fund believes that there is a place for active and passive management and places equal weight on both
- Investment costs are important and should be minimised where possible after taking net performance into account

2.2. When we review our investment strategy in 2020 we can consider these principles in more depth with our Investment Consultant and Independent Investment Advisor. Both of these advisers were consulted on the above and agreed with these initial financial beliefs.

### 3. Responsible Investment Investor Beliefs

3.1. In considering objectives that guide Responsible Investment (RI) or ESG (Environmental, Social and Governance issues) the workshop considered the United Nations Sustainable Development Goals.

3.2. These were adopted by the UN and all member states in 2015 with the aim of achieving them by 2030. The diagram below sets out the 17 goals.



3.3. The goals recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests. **Appendix B** shows how the 17 SDGs link to investment theses.

3.4. It is noteworthy that the goals build on decades of good work in this area including the Earth Summit in Rio and Agenda 21 for sustainable development amongst many other initiatives over the years.

- 3.5. The workshop settled on the following key SDGs as priorities – although recognising that they are all veritable objectives. The Fund considers the objectives in bold to be the most important within each category of ESG.

*The Camden Pension Fund believes that a strong Responsible Investment approach will add value over the long term and be mutually beneficial to wider society.*

*The following United Nations Sustainable Development Goals represented the strongest investment risks and opportunities for the Fund and its Pension Committee. The Fund expects all investment managers and advisors to prioritise these when making investment decisions on behalf of the Fund or advising us.*

**Environmental**

**Climate action (SDG 13)**

*Life below water (SDG 14)*

*Life on land (SDG 15)*

**Social**

**Decent work and economic growth (SDG 8)**

*Good Health and well-being (SDG 3)*

*Clean Water and Sanitation (SDG 6)*

*Affordable and clean energy (SDG 7)*

*Sustainable cities (SDG 11)*

**Governance**

**Gender Equality (SDG 5)**

*Partnerships for goals (SDG 17)*

- 3.6. In agreeing these as priorities for our Investor Belief Statement it will be important that we communicate these to our fund managers and advisers.
- 3.7. In agreeing these the Fund notes that over the long term investments which further the UN's SDGs will drive growth and benefit the Fund. Climate change is both a risk and opportunity which the Fund should be alert to.
- 3.8. The Fund recognises that there is a climate emergency and plans its work to ensure that managers and advisers recognise this and factors this in to investment planning. The Fund expects Investment managers to ensure that they select investments that help transition to the net-zero carbon economy and do not invest in stranded assets.

**4. FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR  
CORPORATE SERVICES**

- 4.1. There are no finance comments to add.

**5. LEGAL COMMENTS OF THE BOROUGH SOLICITOR**

5.1. The Borough Solicitor has been consulted and has no comments to add to this report.

## **APPENDICES**

**APPENDIX A** – Investor Belief Workshop slides

**APPENDIX B** – UN SDGs and investment theses

