

Local Government: Responsible Pension

Environmental, Social, Governance Issues for Pension Fund Investment: Self Assessment Template

How well does the Pension Fund address long term responsible investor (LTRI) and environmental, social and governance (ESG) issues?

Key line of enquiry: 1

How well does the Pension Fund address long term responsible investor (LTRI) and environmental, social and governance (ESG) issues?

Issues	Criteria for Judgement		
	Level 2	Level 3	Level 4
Knowledge and understanding of long term responsible investment (LTRI) and environmental, social, governance (ESG) issues	Fund has reviewed its approach to LTRI and ESG issues	Fund has consulted on its approach to LTRI and ESG issues with stakeholders and published its commitment Principles such as Freshfields, Combined Code, UNPRI exposed to Investment Committee	Fund reviews and consults on its approach to LTRI and ESG issues annually with stakeholders and publishes its commitment Principles exposed to Investment Committee and investment policy altered as consequence
Trustee Training	Fund has a trustee training plan which incorporates LTRI and ESG issues	Trustees have developed and implemented LTRI and ESG proposals through their training programme	
Stakeholder Consultation		Stakeholders are consulted on investment policies including LTRI and ESG	Stakeholders are consulted annually on investment policies including LTRI and ESG
Disclosure		Investment policies disclosed annually to stakeholders	Implementation of investment policies disclosed annually to stakeholders

Key line of enquiry: 2

The Fund has agreed policies in relation to being a long term responsible investor which address environmental, social and governance issues

Issues	Criteria for Judgement		
	Level 2	Level 3	Level 4
Statement of Investment Principles (SIP)	Complies with statutory guidance for production of SIP	Fund has consulted stakeholders on its SIP	Fund consults stakeholders annually on its SIP
ESG Policy	Fund has published a broad ESG policy	Fund has consulted stakeholders on its ESG policy	Fund consults stakeholders annually on its ESG policy
Specific ESG Policies	Fund has considered specific ESG policies including, e.g., policies on promoting best practice in corporate governance, climate change mitigation, avoiding unacceptable practices such as child labour	Stakeholders are consulted on specific ESG policies and policies published	Stakeholders are consulted annually on specific ESG policies
Monitoring and Reporting	Fund monitors performance against targets for responsible investment	Annual Report contains quantification of performance against targets for responsible investment	Annual Report discloses performance against best practice targets for responsible investment
Fund Managers' Responsible Investment Statements		Requires all fund managers to provide an annual responsible investment statement	Responsible investment is discussed at regular fund manager meetings and reported to Investment Committee
UN Principles of Responsible Investment (UNPRI)	Fund is signed up to UNPRI	All fund managers have signed up to UNPRI	Fund has adopted a 'comply or explain' approach in relation to progress/achievement relating to UNPRI

Key line of enquiry: 3

The Fund has resources and management processes in place, including procurement processes, to implement long term responsible investment and environmental, social and governance issues policies

Issues	Criteria for Judgement		
	Level 2	Level 3	Level 4
Procurement	Requires all tenderers to produce up to date statements of equalities, corporate governance, environmental and responsible investment policies Trustees/Officers have received training on LTRI and ESG procurement issues	Requires all fund managers and suppliers to produce annual review of equalities, corporate governance, environmental and responsible investment policies	
Fund Manager Selection		Trustees incorporate ESG issues in fund manager and other supplier selection process	Trustees only shortlist fund managers and other suppliers with predetermined ESG credentials
Investment Management Agreement (IMA)		LTRI and ESG issues incorporated within IMA's	IMA's specify how LTRI and ESG issues are taken into account
Targets	Sets targets for LTRI and ESG activities	Sets targets for LTRI and ESG activities in conjunction with other Funds within an alliance	
Responsible Investment Audit		Fund has commissioned independent responsible investment audit of its activities	Fund has commissioned and acted upon independent responsible investment audit of its activities

Key line of enquiry: 4

The Fund has investment and ownership strategies in place to implement long term responsible investment and environmental, social and governance issues policies

Issues	Criteria for Judgement		
	Level 2	Level 3	Level 4
Asset Classes Covered	Fund has determined which asset classes are covered by LTRI and ESG policies	Fund determines annually which asset classes are covered by LTRI and ESG policies	All asset classes are covered by LTRI and ESG policies
Screening and/or Engagement with Companies	Fund has taken in principle decision to screen (positively or negatively) and/or engage	Fund publishes screening and/or engagement criteria in relevant areas	Fund publishes outcome of screening and/or engagement activities
Voting	Allows managers or custodians to vote UK shares	Dictates voting of UK shares against Fund's policy and discloses voting record	Dictates voting of global equities (where practical) against Fund's policy and discloses voting record
Fund Management		Requires all fund managers to review corporate governance of all companies invested in	Requires all fund managers to report annually on corporate governance of all companies invested in
Investment in Segregated Funds	Fund has considered issues relating to investment in segregated responsible investment and ESG mandates	Fund reviews annually issues relating to investment in segregated responsible investment and ESG mandates	
Alliances and Collaboration		Pursues LTRI and ESG through alliances with 5 or more other Funds	Pursues responsible investment through alliances with 10 or more other Funds

The template is based on the methodology used by the Audit Commission for self assessment of, for example, Use of Resources. It works on the basis that you can be at 4 levels, where level 1 is weak; level 2 is fair, where the minimum is done; level 3 is good; level 4 is leading to best practice. You get to level 2 by doing everything in the level 2 column, otherwise you are level 1. You get to level 3 by doing everything in columns 2 and 3, level 4 by doing everything in all columns.