

**Meeting:** Overview and Scrutiny Organisation Committee

**Date:** 23 February 2004

**Report of:** Chief Finance Officer, Corporate Services

**Subject:** Approach to Ethical Investments

**Ward(s) Affected:** All

## **1 Purpose of the report and policy context**

1.1 At its meeting on 19 January this committee resolved to request further information on how the ethical investment policy for the East Sussex pension fund is implemented. The purpose of this report is to provide this committee with the information.

## **2 Recommendation**

2.1 The Committee is recommended to note the report and to reaffirm its decision not to agree a scrutiny review.

## **3 Pension Fund Investments**

3.1 East Sussex County Council administers the pension fund. A six-member investment panel using a number of specialist advisors makes decisions on investments for the pension fund.

3.2 The Director of Corporate Services for ESCC advises that "The East Sussex Investment Panel has reviewed its socially responsible investment policy on many occasions and the Local Government Pension Scheme regulations require the policy to be stated in the Fund's Statement of Investment Principles. This Statement is reviewed annually and all the Fund's policies will be discussed at the annual strategy meeting on 30 June 2004 at County Hall."

3.3 An extract from the latest pension fund accounts states "The Panel has considered the issues surrounding socially responsible investment and has adopted an 'Active Shareholder Approach' to encourage companies to adopt best ethical and environmental principles without jeopardising the investment performance of the Fund".

3.4 Fund managers are able to invest in all companies, subject to specific restrictions set out in the Fund's Policy Guidelines, but they are encouraged to engage in constructive dialogue and to use their influence on companies to adopt best practice in four key areas:

- corporate governance – refers to the way in which a company ensures that it is attaching maximum importance to the interests of its shareholders and how shareholders can influence management;

- human rights – refers to a company’s exposure to countries that have a poor record of abuse of human rights and the companies policies and systems for addressing human rights issues;
- employment standards – refers to equal opportunities policies;
- environmental standards – refers to how companies control their environmental risks and where possible reduce their impact on the environment.

3.5 The following table gives an analysis of the type of investments made by the pension fund with the market valuation as at 31 December 2003.

UK equities (i.e. stocks and shares in UK companies)	£400m
Overseas equities	£421m
UK fixed interest bonds, including government stock	£100m
Property (unit trusts) & other	£189m
Total market value	£1,110m

3.6 There are a number of questionnaires and surveys received by ESCC in relation to pension fund activity. The County has, for a number of years, only completed two large annual questionnaires that are high profile within the pension industry.

#### **4 Consultation**

4.1 East Sussex County Council have been consulted and contributed in the writing of this report.

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**Financial implications**

None resulting from this report but should the Committee not agree with the recommendation within the report but instead resolve that this issue be subject to scrutiny then financial, legal and environmental issues may result from the outcome of any such scrutiny.

*Finance Officer consulted: Peter Sargent, Loans & Technical Manager /Date 12 February 2004*

**Legal implications**

None resulting from this report

<b>Corporate/Citywide implications</b> None resulting from this report.	<b>Risk assessment</b> Included within text of report.
<b>Sustainability implications</b> Included within text of report.	<b>Equalities implications</b> None directly from this report.
<b>Implications for the prevention of crime and disorder</b> None resulting from this report.	

**Background papers**

None

**Contact Officer**

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