

Birmingham City Council

Report to Cabinet Committee – Group Company Governance

17 November 2022



Subject: NEC Pension - Environmental, Social and Governance (ESG) Consideration

Report of: Rebecca Hellard, Director Council Management

Relevant Cabinet Member: Councillor Brigid Jones

Relevant O &S Chair(s): Councillor Akhlaq Ahmed

Report author: Alison Jarrett Director Group & Capital Finance

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential : Exempt appendix contains investment portfolio information that is private to the Pension Fund and its Trustees and members.		

1 Executive Summary

The NEC Limited Pension Fund is overseen by Trustees appointed by PETPS, a company remaining within the corporate structure of the council following the sale of the NEC in 2015, the council has appointed trustees to operating with the Fund.

Periodically, as the Fund seeks to make decisions on its ESG balance within the portfolio, the views of the council and company are sought. This report sets out the content of a recent letter to PETPS enquiring whether there are any views that the council wish to make concerning the Trust's investment proposal. As a private pension plan its investment strategy and decision is confidential to the Trust. For this

reason the detail on the ESG balance and proposed change is set out in an exempt appendix.

2 Recommendations

- 2.1 Members are asked to note the information provided within the report and at private appendix 1 which contains commercially confidential details.

3 Background

- 3.1 Pensions investment regulations require ESG-related investment policies to be set out in a scheme's Statement of Investment Principles (SIP), covering financially material considerations (including, but not limited to, ESG and climate change) and how these are integrated into the investment strategy.
- 3.2 In its Statement of Investment Principles, publicly available at <https://2020trustees.co.uk/wp-content/uploads/2020/09/SIP-July-2020.pdf>, the fund sets out its considerations concerning environmental, social and governance factors.

These are:

Environmental, social and corporate governance (ESG) factors are sources of risk to the Fund's investments, some of which could be financially significant, over both the short and longer term. These potentially include risks relating to factors such as climate change, unsustainable business practices, and unsound corporate governance. The Trustee seeks to appoint investment managers who will manage these risks appropriately on their behalf and from time to time reviews how these risks are being managed in practice.

- 3.3 The portfolio changes being considered by the Fund and on which the council's views are sought are given in the exempt appendix.

4 Options considered and Recommended Proposal

- 4.1 This report provides information to Members and seeks views on NEC Pension Fund portfolio considerations.

5 Consultation

- 5.1 The Chair of the Committee has been consulted in the preparation of this Report.

6 Risk Management

- 6.1 This report seeks the views of the Committee, portfolio risk sits with the Trustees of the Pension Fund..

7 Compliance Issues:

- 7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**
- a) This Delivery Plan sets out our work programme for the next 18 months, with a continued focus on our six priority outcomes for Birmingham:
- An entrepreneurial city to learn, work and invest in
 - An aspirational city to grow up in
 - A fulfilling city to age well in
 - A great city to live in

- A city whose residents gain the most from hosting the 2022 Commonwealth Games
- A city that takes a leading role in tackling climate change

The City has published policies and statements that align with the ESG principles, for example the Climate Emergency Statement, Social Value Charter, Route to Zero and Birmingham Living Wage Policy. Collectively these and other policies support the fundamental tenets behind the Council's Delivery Plan.

7.2 Legal Implications

- a) The Council's Section 151 Officer has a duty to ensure the proper administration of the Council's financial affairs. The Accounts and Audit Regulations 2015, requires the Council to have effective arrangements for the management of risk.

7.3 Financial Implications

- a) There are no direct financial implications arising from this report.

7.4 Procurement Implications

- a) There are no procurement implications directly arising from this report.

7.5 Human Resources Implications

- a) There are no human resources implications directly arising from this report.

7.6 Public Sector Equality Duty

- a) There are no equality duty or equality analysis issues relating to the proposals set out in this report.

8 Background Documents

NEC Pension Fund Statement of Investment Principles (available online)