

**REPORT TO: SUPERANNUATION INVESTMENT SUB-COMMITTEE
OF THE POLICY & RESOURCES COMMITTEE - 17 NOVEMBER 2008**

REPORT ON: REVIEW OF APPROACH TO SOCIALLY RESPONSIBLE INVESTING

REPORT BY: HEAD OF FINANCE

REPORT NO: 556-2008

1 PURPOSE OF REPORT

This report reviews the Fund's current policy on Socially Responsible Investing and recommends the introduction of a revised policy.

2 RECOMMENDATION

The Sub-Committee is asked to approve the revised policy as outlined in Appendix 1.

3 INTRODUCTION

On 23 February 2000 the Sub-Committee approved a report by Hymans Robertson, the funds' consultants that the fund should adopt a strategy of positive engagement with the companies in which it invests. Four particular action areas were identified - Employee Care, Human Rights, Sustainability and the environment.

The managers have engaged on these areas with companies and regular reports have been brought back to the Sub-Committee. This has worked well but it is considered appropriate to review the policy to reflect developments in this area.

4 PRINCIPLES FOR RESPONSIBLE INVESTING

Following an initiative of the UN Secretary-General commencing in 2005 a paper was issued which had been developed by leading institutional investors. This was entitled 'Principles for Responsible Investing' and is available with further information at www.unpri.org.

These principles widen socially responsible investing to cover environmental, social and corporate governance (ESG). They set out guidance on how this can be met and encourage organisations to sign up to show their commitment to implementing the principles.

Two of the Funds' assets managers - Baillie Gifford and Schoder have already signed up to this.

It is considered that the Fund should incorporate these principles into its next Statement of Investment Principles and should apply the policy as outlined in Appendix 1.

At this stage it is not considered necessary that the Funds should become signatories to the principles.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The Fund's policy will continue to require its investment managers to engage with companies on Sustainability and the Environment and Employee Care and Human Rights.

6 CONSULTATIONS

The Chief Executive, Depute Chief Executive (Support Services) and Depute Chief Executive (Finance) have been consulted in the preparation of this report.

7 BACKGROUND PAPERS

Principles for Responsible Investment www.unpri.org.

**MARJORY STEWART
HEAD OF FINANCE**

11 NOVEMBER 2008

TAYSIDE SUPERANNUATION FUNDS**POLICY ON ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE**

Whilst recognising its over-riding fiduciary duties the funds will continue to encourage its managers to engage on issues with companies in which it holds investments. The managers will be instructed to summarise this engagement activity in their quarterly Investment Reports. The key areas will continue to be Employee Care, Human Rights, Sustainability and the Environment.

In addition the fund believes the environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios through time. So, where it is consistent with it's fiduciary duty, would follow the principles below:

1. Incorporate ESG issues into investment analysis and decision-making processes - this would require to be done by the investment managers and monitored by the Fund.
2. Be an active owner and incorporate ESG issues into ownership policies and practices - this will be mainly achieved by exercising voting rights and the engagement activity of managers.
3. Seek appropriate disclosure of ESG issues by entities in which the Fund is invested - this will be achieved through investment management engagement.
4. Promote acceptance and implementation of the Principles within the investment industry - this can be met by seeking the quarterly reports from investment managers.
5. Work to enhance effectiveness in implementing the Principles - this will be both working with investment managers and other Pension Funds (particularly other Scottish Local Authorities).
6. Report on activities and progress towards implementing the Principles - a six monthly Report will continue to be prepared for the Sub-Committee.