

Pension Fund Investment Sub-Committee

11 December 2023

Carbon Transition Update

Recommendation

That the Pension Fund Investment Sub-Committee notes and comments on this report.

1. Executive Summary

- 1.1 The purpose of this paper is to inform interested parties, through an open paper, of actions and decisions made by the Pension Fund Investment Sub-Committee (PFISC) that relate to the global de-carbonisation agenda. This aligns with the Fund's [Climate Risk Policy](#).
- 1.2 The Fund's primary fiduciary duty is the ongoing ability to make pension benefit payments on time, and in full. However, in accordance with the Fund's [Investment Beliefs](#), there is an awareness that the long-term ability to generate sustainable investment returns is affected by Environmental, Social, and Governance factors, including climate change.
- 1.3 In the June 2023 PFISC meeting, the Committee agreed to decarbonise faster than the economies in which the Fund invests.
- 1.4 At the September 2023 PFISC meeting, the Committee received due diligence reporting on a low carbon transition fund, which was supported by a Suitability Note from a suitable professional. The Committee agreed a recommendation to allocate 4.5% of the Fund's assets to this fund. The implementation of this decision is underway.
- 1.5 As part of the Governance Report (elsewhere on this agenda), the Committee is reviewing the Border to Coast Pensions Partnership's updated Responsible Investment, Climate, and Voting policies.

2. Financial Implications

- 2.1 None, investment decisions continue to be made with risk-adjusted expected net returns as a primary consideration. However, this is done in conjunction with awareness of the ability to invest in a responsible way.

3. Environmental Implications

- 3.1 This report indicates that the Pension Fund is taking steps to mitigate the likelihood of climate risk.

4. Supporting Information

- 4.1 None

5. Timescales associated with the decision and next steps

- 5.1 N/a

Appendices

None

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The report was circulated to the following members prior to publication:

Local Member(s):

Other members: Cllr Kettle, Cllr Gifford