

ITEM No ...7...

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 23rd SEPTEMBER 2019

REPORT ON: ACTIVE STEWARDSHIP ON CLIMATE CHANGE

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 333-2019

1 PURPOSE OF REPORT

This report provides details engagement opportunities that Tayside Pension Fund can be part of in order to improve the fund's activities of responsible stewardship.

2 RECOMMENDATIONS

The Sub-Committee is asked to authorise officers to:

- join with other institutional investors in Climate Action 100+
- join with other Scottish LGPS in collaborative engagements on Plastics

3 BACKGROUND

In keeping with the Environmental, Social & Corporate Governance Policy that was approved by the Pension Sub-Committee (Article VI of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 24th June 2019, Report No 236-2019 refers), the policy states that the fund will work to enhance effectiveness in implementing the United Nations Principles of Responsible Investment and will seek to promote acceptance and implementation of the Principles within the investment industry, where consistent with its fiduciary duties.

Officers have been working with other Scottish LGPS in seeking out collaborative opportunities to exercise more active ownership and improve the impact of company engagement in relation to climate change.

4 CLIMATE ACTION 100+

Climate Action 100+ was launched in December 2017. It is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, and engage with companies to:

- curb emissions
- improve governance and
- strengthen climate-related financial disclosures

To date, more than 360 investors with more than USD \$34 trillion in assets under management have signed on to the initiative. The initiative co-ordinators include the Institutional Investors Group on Climate Change (IIGCC), and Principles for Responsible Investment (PRI).

5 ENGAGEMENTS CONCERNING PLASTICS

Sustainalytics Ltd provide investors with independent engagement services to promote responsible investment and have clients within the Scottish LGPS community. The Scottish LGPS Investment & Governance Group were made aware that a company which a number of funds have holdings in have refused to engage in respect of their use of plastic in the electronics sector.

Tayside Pension Fund have been requested to provide their support along with other Scottish funds who have holdings with the company to use their influence as active owners and request that they enter into dialogue with Sustainalytics in their engagement programme with the purpose of learning about their plastics-related risk profiles, their current management of this issue and to provide constructive feedback where appropriate, with regard to circular economy principles.

The initiative will run over a period of 5 years with the goal being to cut global emissions by 80 per cent by 2050. It uses carbon mapping data to target the worst climate offenders directly, to curb their emissions, improve climate governance and strengthen disclosure. The 100-strong list of top emissions generators, drawn up with CDP (Carbon Disclosure Project) data and developed through a collaborative process from investor and partner organisations, compiles both companies' direct and indirect emissions.

By signing on to Climate Action 100+, Tayside Pension fund would be joining many other UK LGPS, and also some of the most influential Australian, Canadian and US public pension funds, who are also among the entities backing the initiative.

6 **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 on Socially Responsible Investment requires engagement with companies on Sustainability and the Environment and Employee Care and Human Rights.

7 **CONSULTATIONS**

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

8 **BACKGROUND PAPERS**

None

GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

16 SEPTEMBER 2019