

ITEM No ...15.....

**REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE
& PENSION BOARD – 20 MARCH 2023**

REPORT ON: ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE POLICY

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 97-2023

1. PURPOSE OF REPORT

This report reviews Tayside Pension Fund's Environmental, Social & Corporate Governance Policy.

2. RECOMMENDATION

The Sub-Committee is asked to approve the policy, and not that there are no changes.

3. BACKGROUND

The Fund's current policy on Socially Responsible Investing was approved on 21 March 2022 (Article XVI of the Minute of Meeting of the Pension Sub-Committee of the Policy and Resources Committee of 21 March 2022, Report No 93-2022 refers).

4. POLICY IMPLICATIONS

This report has been subject to an Integrated Impact Assessment to identify impacts on Equality & Diversity, Fairness & Poverty, Environment and Corporate Risk. An impact, positive or negative, on one or more of these issues was identified. An appropriate senior manager has checked and agreed with this assessment. A copy of the Integrated Impact Assessment showing the impacts and accompanying benefits of / mitigating factors for them is included as Appendix 2 to this report.

5. CONSULTATIONS

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

6. BACKGROUND PAPERS

Principles for Responsible Investment: www.unpri.org.

The Scottish Local Government Pension Scheme – Scheme Advisory Board 24 June 2016 – Guidance on Fiduciary Duty:

<http://www.sppa.gov.uk/Documents/Governance/Scheme%20Advisory%20Boards/Letter%20to%20Funds%20on%20Fiduciary%20Duty.pdf>

Institutional Investors Group on Climate Change (IIGCC): <https://www.iigcc.org/>

Climate Action 100+: <https://www.climateaction100.org/>

Taskforce for Climate related Financial Disclosures (TCFD): <https://www.fsb-tcfd.org/>

ROBERT EMMOTT

EXECUTIVE DIRECTOR OF CORPORATE SERVICES

10 MARCH 2023

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POLICY ON ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

The fund believes that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios through time. So, where it is consistent with its fiduciary duty, the Fund 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 through the following:
 - **Voting:** Exercising voting rights globally in accordance with independent corporate governance and shareholder advisors and further engagement activity of investment managers.
 - **UK Stewardship Code:** All asset managers and investment advisors must seek to be signatories to the code and fulfil reporting requirements.
 - **Membership of Key Investor Groups:** To use collaborative powers as asset owners to support net-zero emissions transitions.
3. Seek appropriate disclosure of ESG issues by entities in which the Fund is invested through the following:
 - **Investment manager engagement:** To be monitored and reported on a bi-annual basis.
 - **Taskforce for Climate related Financial Disclosures (TCFD):** Commitment to ensuring that appropriate governance, assessment and disclosure requirements are met in advance of statutory deadline.
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 by working with its 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.
7. Exercise their fiduciary duty to guard against extremes or selective interpretation of the legal principles which might unduly restrict the consideration of ESG and other wider factors which may influence the choice of investments so long as that does not risk material financial detriment to the Fund.

* In the case of the following industries:

- **Tobacco** - The Fund requires investment managers to provide the Fund with an investment case prior to undertaking new investments within this industry. These investment cases must

demonstrate that there are no suitable alternatives at that time that better meet the criteria to meet their investment objectives.

- **Energy** - The Fund requires that:
 - companies held within the segregated equity mandates to have agreed a Scope 1/ Scope 2 emission reduction target by December 2022;
 - companies held within the segregated equity mandates to have a firm commitment to achieve a net zero position by 2050 by December 2024;
 - investment managers must engage with energy sector companies on these requirements, and monitor and report on progress.
 - managers will be expected to disinvest from any companies where engagement is failing to encourage progress towards targets, and reasonable progress is not being demonstrated.



Integrated Impact Assessment

Committee Report Number: 97-2023

Document Title: TAYSIDE PENSION FUND ENVIRONMENTAL, SOCIAL & CORPORATE GOVERNANCE POLICY

Document Type: Policy

Description:

Tayside Pension Fund's policy on Socially Responsible Investing

Intended Outcome:

Incorporate ESG issues into investment analysis and decision-making processes

Period Covered: 20/03/2023 to 25/03/2024

Monitoring:

Biannual Socially Responsible Investment reporting, and separate climate focus reporting

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Equality, Diversity and Human Rights

Impacts & Implications

Age: No Impact

Disability: No Impact

Gender Reassignment: No Impact

Marriage & Civil Partnership: No Impact

Pregnancy & Maternity: No Impact

Race / Ethnicity: No Impact

Religion or Belief: No Impact

Sex: No Impact

Sexual Orientation: No Impact

Are any Human Rights not covered by the Equalities questions above impacted by this report?

No

Fairness & Poverty

Geographic Impacts & Implications

Strathmartine:	No Impact
Lochee:	No Impact
Coldside:	No Impact
Maryfield:	No Impact
North East:	No Impact
East End:	No Impact
The Ferry:	No Impact
West End:	No Impact

Household Group Impacts and Implications

Looked After Children & Care Leavers: No Impact

Carers: No Impact

Lone Parent Families: No Impact

Household Group Impacts and Implications

Single Female Households with Children: No Impact

Greater number of children and/or young children: No Impact

Pensioners - single / couple: No Impact

Unskilled workers or unemployed: No Impact

Serious & enduring mental health problems: No Impact

Homeless: No Impact

Drug and/or alcohol problems: No Impact

Offenders & Ex-offenders: No Impact

Socio Economic Disadvantage Impacts & Implications

Employment Status: No Impact

Education & Skills: No Impact

Income: No Impact

Caring Responsibilities (including Childcare): No Impact

Affordability and accessibility of services: No Impact

Fuel Poverty: No Impact

Cost of Living / Poverty Premium: No Impact

Connectivity / Internet Access: No Impact

Income / Benefit Advice / Income Maximisation: No Impact

Employment Opportunities: No Impact

Education: No Impact

Health: No Impact

Life Expectancy: No Impact

Mental Health: No Impact

Overweight / Obesity: No Impact

Child Health: No Impact

Neighbourhood Satisfaction: No Impact

Transport: No Impact

Environment

Climate Change Impacts

Mitigating Greenhouse Gases: Positive

Positive effect in integrating climate considerations into investment decision making

Adapting to the effects of climate change: Positive

Positive effect in integrating climate considerations into investment decision making

Resource Use Impacts

Energy efficiency & consumption: No Impact

Prevention, reduction, re-use, recovery or recycling of waste: No Impact

Sustainable Procurement: No Impact

Transport Impacts

Accessible transport provision: No Impact

Sustainable modes of transport: No Impact

Natural Environment Impacts

Air, land & water quality: Positive

Positive effect in integrating climate considerations into investment decision making

Biodiversity: Positive

Positive effect in integrating climate considerations into investment decision making

Open & green spaces: No Impact

Built Environment Impacts

Built Heritage: No Impact

Housing: No Impact

Is the proposal subject to a Strategic Environmental Assessment (SEA)?

No further action is required as it does not qualify as a Plan, Programme or Strategy as defined by the Environment Assessment (Scotland) Act 2005.

Corporate Risk

Corporate Risk Impacts

Political Reputational Risk: Positive

Positive effect in integrating climate considerations into investment decision making

Economic/Financial Sustainability / Security & Equipment: No Impact

Social Impact / Safety of Staff & Clients: No Impact

Technological / Business or Service Interruption: No Impact

Environmental: Positive

Positive effect in integrating climate considerations into investment decision making

Legal / Statutory Obligations: Positive

Contributing to achieving net zero

Organisational / Staffing & Competence: No Impact

Corporate Risk Implications & Mitigation:

The risk implications associated with the subject matter of this report are "business as normal" risks and any increase to the level of risk to the Council is minimal. This is due either to the risk being inherently low or as a result of the risk being transferred in full or in part to another party on a fair and equitable basis. The subject matter is routine and has happened many times before without significant impact.

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