



BCPP Joint Committee

Date of Meeting: 16th January 2018

Report Title: Responsible Investment Initiatives

Report Sponsor: Responsible Investment Lead - Jane Firth

1.0 Executive Summary:

- 1.1 This report provides extra detail on investor-led initiatives relating to Responsible Investment and the governance process involved.
- 1.2 Following requests for information and an update on Border to Coast's stance from Partner Funds this report also includes background specific detail surrounding the Financial Stability Board Task Force on Climate-related Financial Disclosures and how Border to Coast intends to support the initiative per the principles outlined in the Responsible Investment Policy agreed at the last meeting.

2.0 Recommendation:

- 2.1 That Members approve the governance process for supporting Responsible Investment initiatives.
- 2.2 That Members note Border to Coast's stance in supporting the Financial Stability Board Task Force on Climate-related Financial Disclosures.

3.0 Background:

- 3.1 The Responsible Investment (RI) Policy along with Corporate Governance & Voting Guidelines were agreed by the Joint Committee at the 20th October 2017 meeting. The policies are to be reviewed annually with the process involving Border to Coast, the Officer Operations Group and the Joint Committee. As a body responsible for investing public funds and also one of significant scale, it is likely that Border to Coast will be approached to support various investor-led initiatives relating to RI issues, especially those that are reflected in the RI policies of Border to Coast. As these policies have been agreed by the Partner Funds, and therefore a clear steer has been given to Border to Coast, it is proposed that, so long as the initiatives fall within the remit of existing policies, that Border to Coast progress active support of them.
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- 3.2 To ensure resources are directed where it is most effective this will be judged on a case by case basis. A report will be presented to the Joint Committee and Officers Operation Group on a quarterly basis to update on any action taken.
- 3.3 One such initiative which Border to Coast has been directly approached to support is the Task Force on Climate-related Financial Disclosures (TCFD). Several of our Partner Funds have also requested an update on Border to Coast's stance on this. In December 2015 the G20 finance ministers and Central Bank governors asked the Financial Stability Board (FSB) to review how the financial sector can take account of climate-related issues. Such information is needed by investors, lenders and insurance underwriters to be able to assess climate-related risks and opportunities. This led to the Task Force on Climate-related Financial Disclosures being established. Its remit was to develop a set of voluntary climate-related disclosures that would assist in understanding the associated material risks of climate change.
- 3.4 The final report was published in June 2017 with the recommendations based around four pillars: governance, strategy, risk management, and metrics. The recommendations are a strong indicator that climate-related risk is a material financial risk. It is currently a voluntary framework for both companies and investors to provide climate-related information in their main annual financial reporting. The greater disclosure is key to obtaining more meaningful, reliable and consistent data across companies and sectors and it will improve investors ability to assess climate related risks and opportunities.
- 3.5 The TCFD has received significant support from leading companies and organisations around the world since its voluntary recommendations were released in June 2017. There are a number of ways for organisations to show support for the TCFD recommendations; by supporting the TCFD directly and also by signing the Pension Fund Chairs letter of support actioned by Accounting for Sustainability.

4.0 Conclusion:

- 4.1 On a case by case basis BCPP will support RI initiatives as long as they are reflected in the standing RI policy as agreed by Joint Committee and individual partner funds. Reports will be presented to the Joint Committee on RI activity at quarterly meetings. Regular information will also be provided to the monthly Officers Operations Group meetings for input and feedback to Partner Funds.

Report Author:

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Further Information and Background Documents:

Border to Coast Pensions Partnership Responsible Investment Policy
(October 2017)

Border to Coast Pensions Partnership Corporate Governance & Voting
Guidelines (October 2017)

Task Force on Climate-related Financial Disclosures Report (<https://www.fsb-tcf.org/publications/final-recommendations-report/>)

Accounting for Sustainability
(<https://www.accountingforsustainability.org/en/activities/tcf.html>)

