

Agenda Item

Subject	Annual Review of Responsible Investment Policies	Status	For Publication
Report to	Authority	Date	13 th March 2025
Report of	Director		
Equality Impact Assessment	Not Required	Attached	No
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1 Purpose of the Report

- 1.1 To secure approval for the Authority's various responsible investment policy documents following their annual review.

2 Recommendations

- 2.1 Members are recommended to:
- a. **Approve the following revised policy documents appended to this report**
 - i. **The Responsible Investment Policy (Appendix A)**
 - ii. **The Climate Change Policy (Appendix B)**
 - iii. **The Net Zero Action Plan (Appendix C)**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Responsible Investment

To develop our investment options within the context of a sustainable and responsible investment strategy.

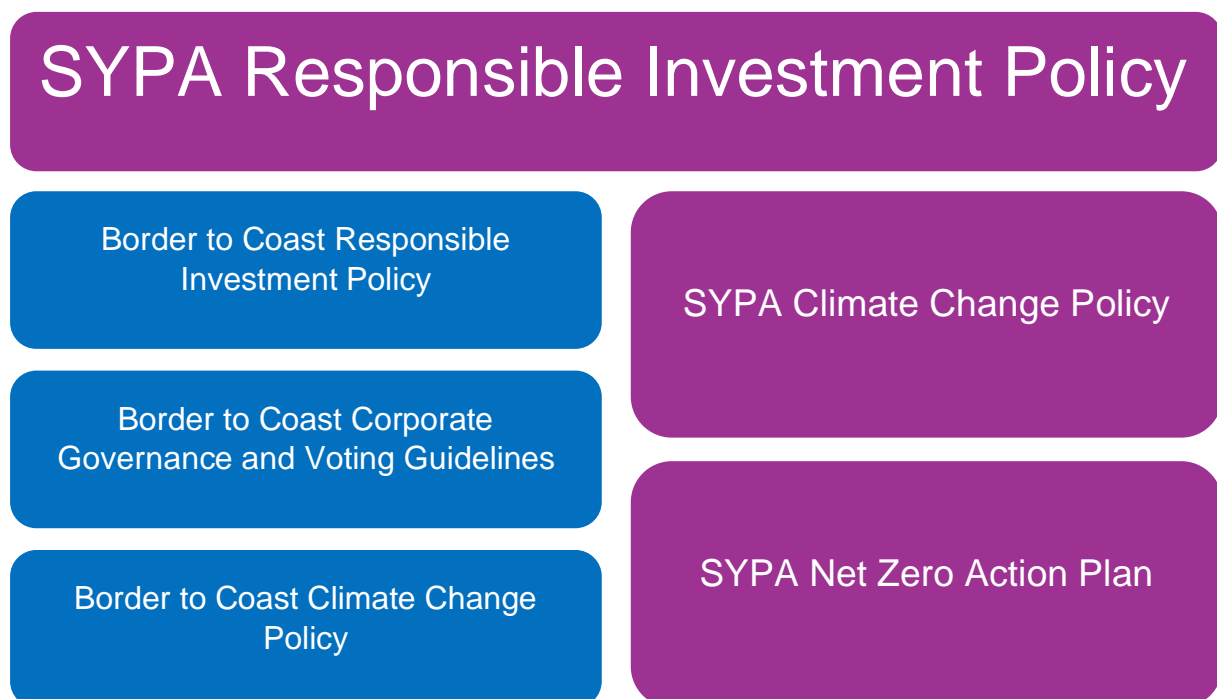
Regularly reviewing and updating policy documents related to Responsible Investment ensures that the Authority's policy stance continues to evolve to address the ever widening and more complex range of issues facing investors in this area.

4 **Implications for the Corporate Risk Register**

- 4.1 The actions outlined in this report specifically address the climate related risks include in the Corporate Risk Register and the various risks related to the maintenance of an effective investment process.

5 **Background and Options**

- 5.1 Each year the Authority conducts a review of its various responsible investment policies to ensure that they remain up to date and relevant and that the policy stance articulated continues to seek to move the collective policies adopted by the Border to Coast Pensions Partnership in a direction which the Authority can support. The diagram below shows the various aspects of the Responsible Investment policy framework and how they related together and also their relationship to the various collective Border to Coast policies.



- 5.2 The Commercial Property policy has now been “retired” given the transition of assets to the Border to Coast Real Estate Fund.

- 5.3 In previous years an annual review has also been conducted of the Statement of Commitment to the Impact Investing Principles for Pensions. The process for subscribing to the principles has changed to one of making an annual submission to the Impact Investment Institute setting out a range of factual information about the Authority’s investments and investment process in relation to impact investments. This report was completed in November and the Authority continues to adhere to the principles in relation to these parts of its portfolio.

Responsible Investment Policy (Appendix A)

- 5.4 The Responsible Investment Policy has not required major changes. The most notable changes include the addition of the following paragraphs covering the following topics:

- the expectation on votes cast in the event of unresolved engagement;
- Border to Coast's strengthened approach to climate voting through the incorporation of deforestation as an interconnected issue; and
- the specific reference to the importance of companies setting and implementing a science-based transition plan.

5.5 Achieving the Authority's objectives will not be easy and other Border to Coast Partner Funds may have differing views on these issues. However, the views articulated by elected members which have influenced this position are clearly that for a policy of engagement to have impact there needs to be clearer definition of and more automaticity in the consequences of failure. It is also likely that the Authority will more often consider voting in a different way to the rest of the partnership particularly where companies' plans for the climate transition plans that lack credibility if not science based. However, given the constraints of resources and the timescales to undertake the necessary analysis to support such decisions it remains the case that such occasions are likely to remain the exception.

Climate Change Policy (Appendix B)

5.6 This Policy is at a high level and sets out the Authority's broad approach to the issue and the allocation of responsibility as between officers and members in line with the Task Force on Climate Related Financial Disclosures. The additions to the Policy reflect the Authority's expectation that its investment managers will consider the option of divesting where a company is not aligned with the Authority or unwilling to engage with investment managers in its decarbonisation pathway. Where investment managers do invest in companies with no credible science-based transition plan, The Authority expects these managers to be prepared to explain why these positions are held.

5.7 The Policy has also been updated to reflect the transition of the Authority's property portfolio. These assets were formerly held directly but during the year they were transferred, along with other Partner Fund assets, to a pooled investment vehicle managed by Border to Coast. This transition is supportive of the pooling process.

Net Zero Action Plan (Appendix C)

5.8 This document sets out the actions proposed in the coming year to move the Authority along the road to decarbonising its investment portfolios. The most significant changes to the document this year include: an update on the progress of listed assets against carbon emissions reduction targets; the addition of new commitments made into two forestry managers as part of the Authority's Natural Capital allocation; and the changes made to the transition of the Authority's property assets to be managed by Border to Coast in a pooled ownership structure.

6 **Implications**

6.1 The proposals outlined in this report have the following implications:

Financial	There are no direct financial implications arising from this report.
Human Resources	None
ICT	None
Legal	It is a requirement of the relevant LGPS regulations that the Authority set out its position in relation to Environmental, Social and Governance issues in its Investment Strategy Statement. These documents set out the arrangements for the detailed implementation of this statement and also set out the strategic arrangements which are required as the foundation of arrangements for meeting the requirements of the Task Force on Climate Related Financial Disclosure.
Procurement	None directly.

George Graham

Director

Background Papers	
Document	Place of Inspection