



Responsible Investment Total Evaluation (“RITE”)

# Results Summary and Action Plan

Avon Pension Fund

November 2021

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# Responsible Investment Total Evaluation (“RITE”)

## Own the Sustainability Agenda

*Environmental, Social and Governance (“ESG”) factors, including Climate Change, are important:*



**Risk, return and reputation**



Increasing climate commitments to **net zero**



**Diversity, equity and inclusion** higher on the agenda



Scrutiny of **board decision-making** increasing

*It's a fast moving and complex area with a heavy political and regulatory influence:*

Focus so far has been on reporting...

- ESG investment beliefs
- larger schemes disclosing their exposure to climate change



Pressure to deliver change...

- from the individual to the employer
- from the Government to the Regulator
- from shareholders to the media



Common questions...

- Where do we start?
- What actions deliver the biggest impact?
- How can we evidence improvement that all our stakeholders will understand?



## Doing the RITE thing...



**Insight**

Clear understanding of existing sustainability status



**Intervention**

Focus on positive actions that enhance ESG integration

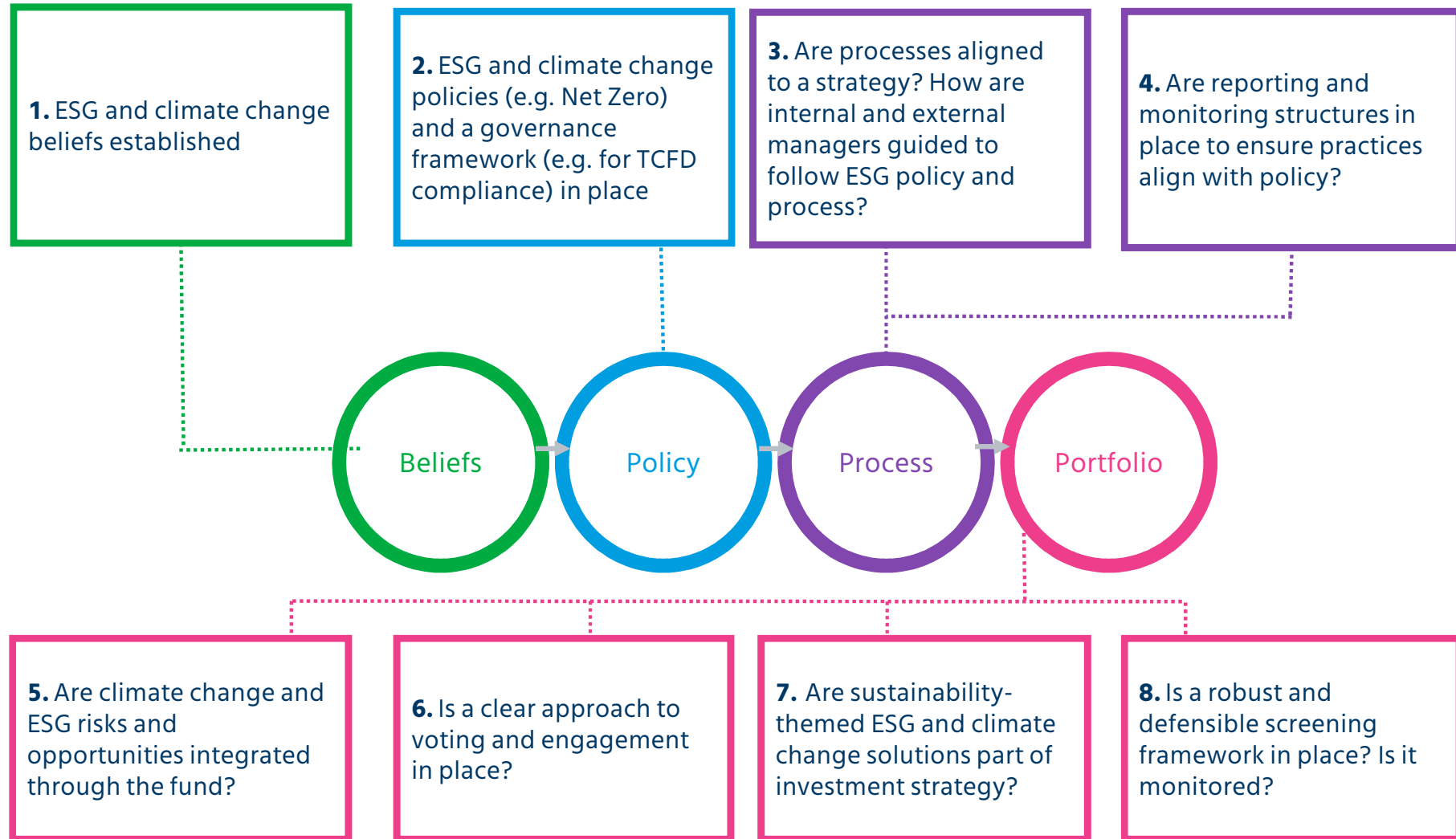


**Impact**

Evidence improvement over time that everyone can understand.

# Responsible Investment Pathway

Climate change and ESG are part of every stage of investing



# RITE – Assessment Criteria

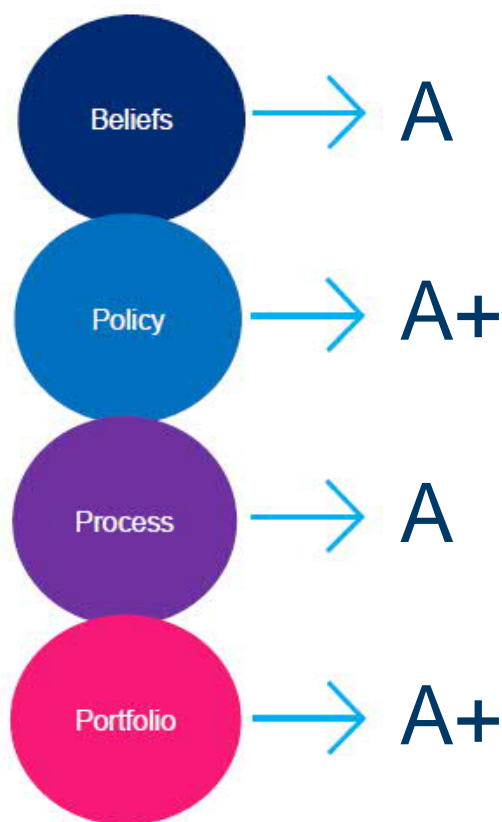
RITE produces an objective evaluation that can be monitored over time and can provide a comparison relative to peers.

It assesses how well you are **currently** integrating Environmental, Social and Governance (ESG) considerations into your overall decision making.

The assessment covers the four steps of Mercer's Sustainable Investment Pathway; Beliefs, Policy, Process and Portfolio, and considers over 75 data points split into the following 21 categories:



# RITE Score for Avon



Total Score:

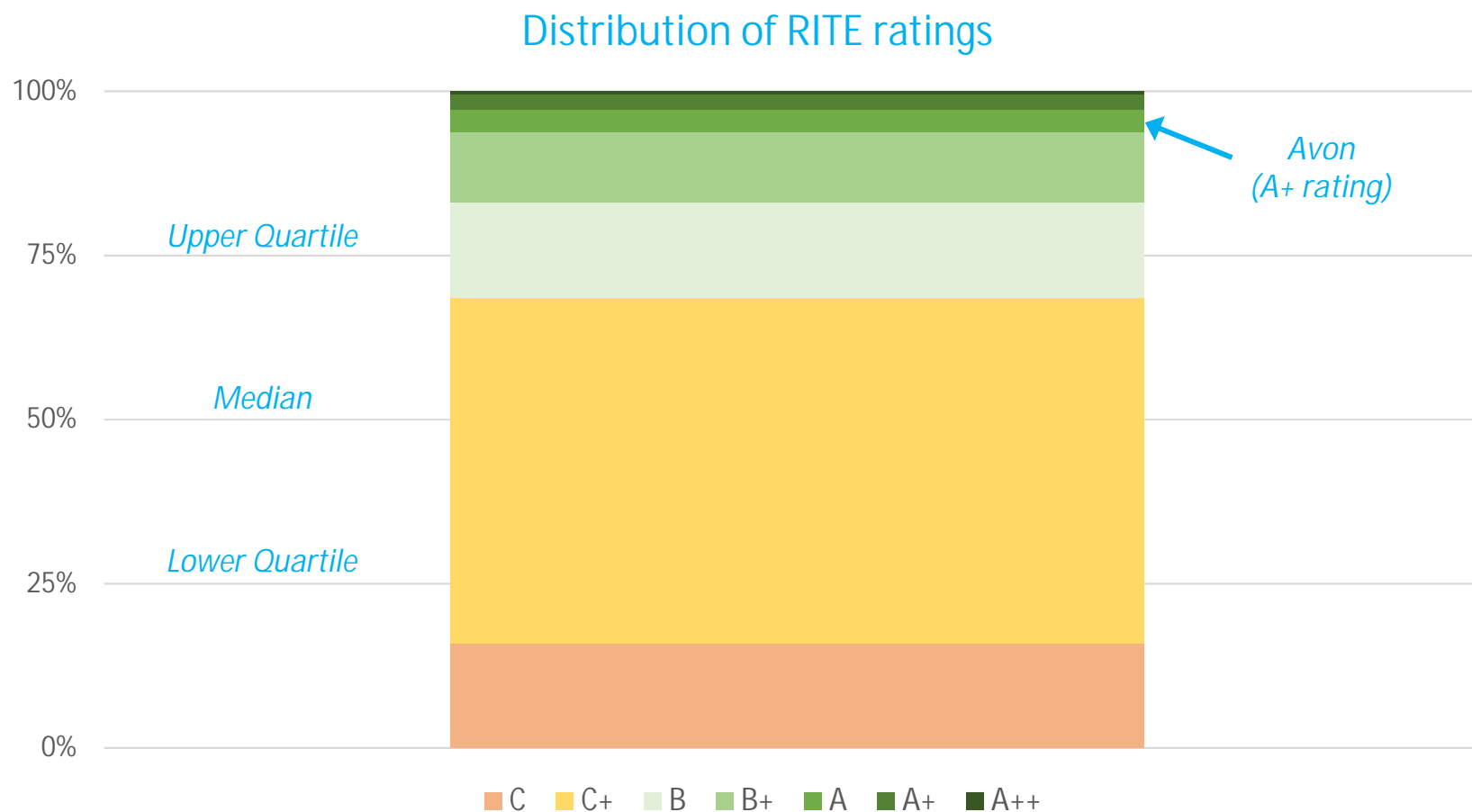
**A+**

Size average: B+  
LGPS average: B+

Rating	Score
A++	91% +
A+	76 - 90%
A	61 - 75%
B+	46 - 60%
B	31 - 45%
C+	16 - 30%
C	0 - 15%

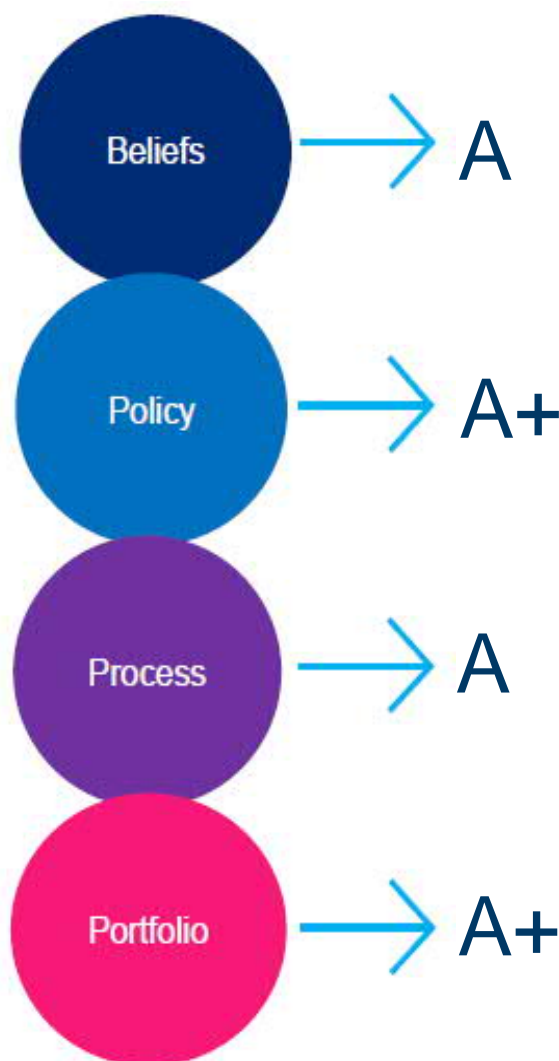
The Fund performed well ahead of similarly sized schemes and other LGPS funds

# Comparison with other schemes



**RITE covered 650 schemes; the Fund scored in the top 3% of all submissions**

# Further detail



**Positives:** ESG beliefs have been collated and documented. Beliefs on climate change risks and opportunities are clear. Fund is member of the LAPFF, CA100+ and IIGCC collaborative initiatives.

**Development areas:** Key focus in recent years has been on climate change; could consider wider ESG issues within the lens of the UN Sustainable Development Goals (SDGs) and wider “impact” investing ideas.

**Positives:** Fund has a standalone Responsible Investment (RI) Policy. Target agreed for the Fund’s equity portfolio to achieve Net Zero carbon emissions by 2050, with interim targets also set. Public annual disclosures will soon be made against the TCFD framework.

**Development areas:** Consider updating the RI policy (dated 2016) to reflect latest RI priorities, membership of initiatives, link to the annual RI report. Consider commenting on the Fund’s own operational impact.

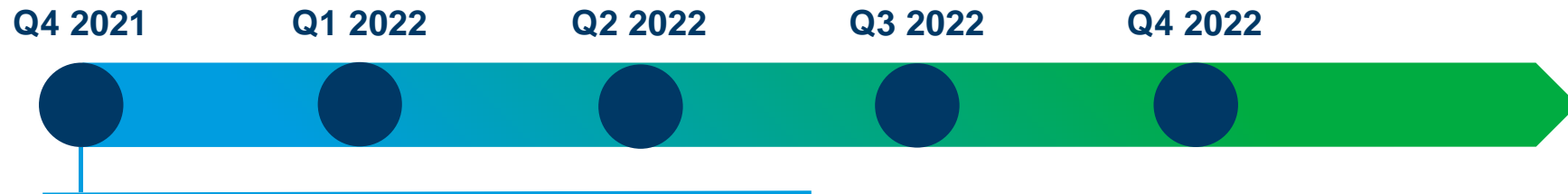
**Positives:** ESG considerations fully integrated into investment strategy and manager selection decisions. Annual RI report produced, including monitoring voting and engagement of investment managers. Carbon footprint of the equity portfolio to be reviewed regularly.

**Development areas:** Consider extending ACT net zero analysis and targets to other asset classes within the portfolio as data availability continues to improve.

**Positives:** Majority of equity portfolio is invested in dedicated sustainable and low carbon/climate transition funds. Fund also has an allocation to Renewable Infrastructure.

**Development areas:** Explore other ways of incorporating ESG and sustainable allocations into alternative asset classes.

# Potential near-term action plan



Implement agreed equity portfolio changes, driven by intention to reduce Fund's immediate carbon footprint

Keep under review option to link BlackRock risk management collateral to an ESG tilted / low carbon equity index

Document Net Zero interim targets, and consider where other updates are required across Beliefs and Policy statements

Issue first draft of TCFD report

## **Q1 – Q3 2022:**

Prepare for next round of TCFD reporting

Consider opportunities for greater alignment and level of disclosures

Carry out additional supporting analysis, such as ACT analysis within other asset classes

## **Q4 2022:**

Draft and publish second TCFD report

## **Ongoing:**

Continue to consider sustainable investment opportunities as appropriate



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