

## Bath & North East Somerset Council

MEETING:	<b>AVON PENSION FUND COMMITTEE</b>
MEETING DATE:	<b>20 SEPTEMBER 2024</b>
TITLE:	<b>2024 ANNUAL RESPONSIBLE INVESTMENT REPORT</b>
WARD:	ALL
<b>AN OPEN PUBLIC ITEM</b>	
List of attachments to this report: Appendix 1 – Draft Responsible Investment Annual Report 2024	

### 1. THE ISSUE

- 1.1. The Fund produces a responsible investment (RI) report each year which demonstrates how the Fund is addressing the impact of risks arising from RI issues on the investments portfolio.
- 1.2. The report covers periods to March 2024. Significant RI work has been undertaken over the year, building on the positive steps taken last year to enhance the Fund's net zero climate targets and allocate capital to local impact investments.
- 1.3. Brunel are our strategic partner for developing, implementing and monitoring our RI priorities. For the year ending December 2023 Brunel have published their fourth Responsible Investing and Stewardship Outcomes Report – elements of this report have been incorporated into the Fund's Annual RI report which contains links to the full Brunel document.
- 1.4. The RI Annual Report is designed for public consumption and will be published on the Fund's website once approved by the Committee.
- 1.5. Committee are asked to give feedback on the report itself, whether there are aspects that need greater emphasis and on the RI priorities for the next 12 months.

### 2. RECOMMENDATION

- 2.1. **Approves the Draft 2024 Annual Responsible Investment Report for publication.**
- 2.2. **Agrees the 2025 RI priorities as set out in section 4.4.**

### 3. FINANCIAL IMPLICATIONS

- 3.1. The budget includes the costs of the carbon and environmental analysis provided by Brunel as an elective service.

### 4. RESPONSIBLE INVESTMENT REPORT

- 4.1. This is the twelfth annual report on responsible investment prepared by the Fund. It brings together all aspects of the Fund's policies and activities that contribute to

its responsible investing objectives. The draft Report to be approved can be found at Appendix 1. The report uses case studies to highlight the Fund's investments and activities undertaken during the year.

4.2. The report sets out the RI and Environmental, Social and Governance (ESG) issues that have been considered and how these were addressed through strategic decision making. The major strategic updates during the period covered by the report are:

- a) Continuation of the successful decarbonisation of the listed equity and corporate bond portfolios across absolute and carbon intensity measures versus the Fund's 2019 baseline year.
- b) Increased deployment of capital to renewable infrastructure across both established renewables (wind and solar) as well as emerging technologies such as energy storage and smart grids.
- c) Integration of climate risk in less well-developed areas and asset classes such as multi-asset credit.
- d) Successful manager appointment and deployment of capital following the Fund's agreement last year to allocate c.£175m to local impact investment opportunities.
- e) Significant stakeholder engagement and communications work across multiple media channels.
- f) Continued collaborative work with Brunel and other strategic partners including LAPFF, ClimateAction100+ and IIGCC, which saw the Fund participate in high profile engagements, shareholder resolutions and policy advocacy work.

4.3. The RI report explains how Brunel and its third-party providers have delivered against policy. Among other things, the report includes engagement highlights, examples of policy advocacy work that Brunel has either led or participated in and voting data generated by EOS at Federated Hermes.

4.4. The Fund's RI priorities for 2025, contained in the final section of the report, are consistent with Brunel's seven priority themes as all these topics remain relevant from a strategic perspective to the Fund. Last year 'Biodiversity' was added as a priority theme and over the next year the Fund will explore the feasibility of a dedicated allocation to natural capital as part of its existing strategic allocation to illiquid assets. The Committee are asked to agree these priorities:

- a) Climate change
- b) Biodiversity
- c) Human rights and social issues
- d) Diversity, equity and inclusion
- e) Cyber security & AI
- f) Cost and tax transparency
- g) Circular economy and supply chain management

4.5. During the year the Fund undertook considerable engagement with its various stakeholders about its climate targets and the appropriate level of ambition to achieve Net Zero. The feedback from the engagement exercise was incorporated into the process in late 2023 to set the new climate targets.

## 5. PRESS COVERAGE

5.1. Our communications team have worked closely with the local press to promote the investment in local affordable housing that we are making. This is in addition to the coverage we had in the trade press in July which was coordinated with the affordable housing manager, Octopus. In all, we have now had 30+ media mentions about our affordable housing investment. This follows on from a successful press and social media campaign when we invested in the SW Solar farm portfolio with Schroder Greencoat.

5.2. Examples of press coverage:

- Bristol Post: [Pension fund investing £50m to boost affordable home supply](#)
- Bath Business: [Affordable housing move by West of England pension fund as it looks to invest more in local impact schemes](#)
- [The Business Magazine](#)
- [The Business Desk](#)

5.3. There has also been a lot of coverage on LinkedIn via the Avon Pension Fund pages.

5.4. As the local impact and renewable portfolios develop, there will be updates on the Fund's website. Future opportunities to promote our investments in the local press will also be explored.

## 6. RISK MANAGEMENT

6.1. An effective governance structure, defining clear responsibilities, and ensuring that the decision-making body has an adequate level of knowledge and access to expert advice, is a key aspect of the risk management process.

## 7. EQUALITIES STATEMENT

7.1. A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

## 8. CLIMATE CHANGE

8.1. The Fund is implementing a digital strategy across all its operations and communications with stakeholders to reduce its internal carbon footprint in line with the Council's Climate Strategy. The Fund acknowledges the financial risk to its assets from climate change and is addressing this through its strategic asset allocation to Paris Aligned Global Equities and renewable energy opportunities. The strategy is monitored and reviewed by the Committee.

## 9. OTHER OPTIONS CONSIDERED

9.1. None

## 10. CONSULTATION

10.1. The Director of Financial Services, Assurance & Pensions has had the opportunity to input to this report and has cleared it for publication.

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<b>Background papers</b>	None

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