

## Scottish Borders Council Pension Fund: Proposed roles and responsibilities to manage climate-related risks & opportunities

### Introduction

This document has been prepared on behalf of Scottish Borders Council ("the Council") as administering authority of the Scottish Borders Council Pension Fund ("the Fund") by its Investment Consultant, Isio. The purpose of the document is to supplement and expand upon the policies set out by the Statement of Investment Principles ("SIP"), Responsible Investment Policy, Fund Strategy Statement and the wider Corporate Governance & Corporate Social Responsibility position with a detailed proposal for the roles and responsibilities for managing climate-related risks and opportunities. The Officers of the Fund may wish to exercise judgement on which responsibilities are carried out until the Department for Levelling Up, Housing and Communities ('DLUHC') releases further guidance on the issue. Once the Committee have agreed the relevant roles and responsibilities these can be integrated into relevant policy documents.

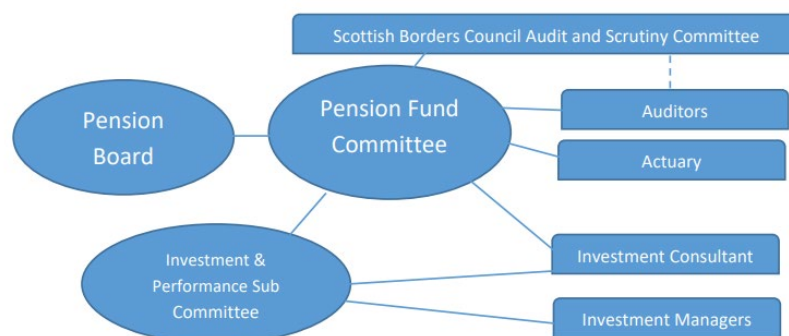
### Overall responsibility

The Pensions Committee ("the Committee") has the ultimate responsibility for ensuring Fund-level climate related risks and opportunities are well governed. This Climate Governance Policy documents the governance processes the Committee has agreed to ensure that it has oversight of the climate-related risks and opportunities that are relevant to the Fund.

As noted within the Fund's Responsible Investment Policy, the Fund recognises that climate change risk poses significant investment risks which could become incrementally more severe over time.

### Roles and responsibilities

The Scottish Borders Council Pension Fund overall governance structure is shown in the chart below:





### **Scottish Borders Council**

The Council, in its capacity as administering authority, has delegated strategic responsibility for administration of the Pension Fund to the Pensions Committee. The Council governs the actions of the Pensions Committee and its Officers.

### **Pensions Board ("the Board")**

The Pensions Board has a role to assist the Council and the Committee in securing compliance with legislation relating to the governance and administration of the Fund. This translates into a scrutiny role of the Committee and the decisions they take.

### **Pensions Committee ("the Committee")**

As noted above, the Council has delegated strategic responsibility for the administration of the Pension Fund to the Pensions Committee and its Officers, including the general ongoing management of its climate-related responsibilities. The Committee is responsible for the assessment of climate impact on assets, funding, and the members' financial security. The Committee, working with the Pensions Board and the Investment Consultant (see further detail below), provides oversight and manages ESG related risks to help the Fund to execute its strategy and enhance long-term, sustainable financial stability. The Committee will ensure that sufficient time is allocated to consider and discuss the Fund's approach to responsible investment and climate change with the Pension Board and its advisers.

#### The Committee's responsibilities include, but are not limited to, the following:

- Setting and implementing a climate governance policy;
- Receiving regular training on climate related risks and opportunities to ensure it has the level of understanding required to meet statutory and fiduciary obligations;
- Incorporating climate-related considerations into the Fund's Responsible Investment policy (including investment beliefs), ongoing risk management (including ESG and climate items in the risk register), and monitoring;
- Incorporating climate-related considerations into strategic decisions relating to the Fund's investments and funding arrangements;
- Factoring in climate-related risk management capabilities into the selection, review and monitoring of investment managers. This includes ensuring that the Fund's investment managers are managing the climate-related risks and opportunities associated with the Fund's investments;
- Identifying climate-related risks and opportunities for the Fund and setting and monitoring metrics to conduct assessment and management;
- Ensuring that the external advisers have clearly defined responsibilities in respect of climate risk, including documenting the extent to which the advisers' responsibilities are included in any agreements, such as the Investment Consultant's strategic objectives and service agreements;



- Assessing how the external advisers have performed against their climate responsibilities, and flagging any issues identified.

The Committee will, on at least a quarterly basis:

- Receive relevant climate-related updates from the Officers, where available, potentially covering the investment managers' climate capabilities, progress on various climate workstreams and any relevant market or regulatory updates.
- Receiving updates on the Fund's investments from the Fund's Investment Managers, including data on ESG metrics and progress against any targets set in relation to these metrics;

The Committee will, on at least an annual basis:

- Review its Climate Governance Policy and Responsible Investment Policy;
- Review ESG and climate specific related sections of the Fund's risk register;
- Oversee delivery of TCFD reporting;
- Communicate clearly with members on how climate-related risks and opportunities are being managed.

The Committee will, on at least a triennial basis:

- Undertaking analysis of various climate scenarios, and for the two years following the latest scenario analysis, consider whether there is sufficient reason to carry out further analysis;

### **Investment Consultant**

The Investment Consultant's responsibilities include, but are not limited to, the following:

- Advising on the inclusion of climate considerations in the Fund's governance arrangements, investment strategy, risk management and monitoring, working with the Committee and its other advisers, as appropriate;
- Advising how climate-related risks and opportunities might affect the Fund's exposure to different asset classes over the short, medium and long term, and the implications for the Fund's investment strategy;
- Assisting the Committee in the selection and monitoring of appropriate climate-related metrics and targets in relation to the Fund's investments, including engaging with the Fund's investment managers regarding the provision of the agreed metrics;
- Providing training and relevant updates to the Board and Committee on relevant climate-related matters.

The Investment Consultant will, on at least an annual basis:

- Assist with the selection, collection and presentation of metrics and targets;
- Assist with the preparation of the Fund's annual TCFD report;
- Provide additional ESG monitoring and projects, as required, on an ad hoc basis.

The Investment Consultant will, on at least a triennial basis:

- Assist with climate scenario analysis to determine the potential impact on the Fund's assets and liabilities under various climate change scenarios.



### **Fund Actuary**

The Actuary's responsibilities include, but are not limited to, the following:

- Assessing climate-related risks and opportunities in relation to the Fund's funding position over the short, medium and long term and the implications for the Fund's funding and long-term objective.

### **Legal Adviser**

The Legal Adviser's responsibilities include, but are not limited to, the following:

- Providing training to the Committee on climate-related legal matters, including, ensuring the Committee is aware of its climate-related statutory and fiduciary obligations;
- Where requested, assisting in the documentation of the arrangements with the Committee's third parties with respect to climate-related matters;
- Assist with the preparation of the Fund's annual TCFD report.

The Legal Adviser will, on at least an annual basis:

- Provide a legal review of the Fund's annual TCFD report.

### **Investment Managers**

The Investment Managers' responsibilities include, but are not limited to, the following:

- Identifying, assessing and managing climate-related risks and opportunities in relation to the Fund's investments;
- Exercising voting rights and engaging with portfolio companies in relation to climate-related risks and opportunities, on behalf of and in the best interests of the Fund's members;
- Providing the agreed climate-related metrics to the Fund's Investment Consultant in relation to the Fund's investments and focus on increasing the quality and availability of these metrics.

### **Monitoring and reviewing the delegated roles and responsibilities**

The Committee should view the development of roles and responsibilities as an ongoing process, as approaches to understanding and integrating climate-related risks and opportunities continue to evolve over time. When reviewing the Responsible Investment Policy, the Committee should consider whether the current delegations remain appropriate.



## Appendix

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