



Addendum by Councillor Ross

Pensions Committee

26 June 2024

Item 6.7: Approach to Responsible Investment - Climate Change

Committee agrees to add to recommendations the following:

1.2 Agrees that Lothian Pension Fund should take a responsible approach to investment in line with the Statement of Responsible Investment Principles that

- a) encourages positive change through pro-active engagement to align businesses in which the fund invests with the targets of the Paris Agreement.
- b) actively seeks to benefit from opportunities presented by a just and sustainable transition to net zero; and
- c) avoids, if necessary through divestment, businesses where climate risks or inadequate plans for transition would lead to poor financial outcomes.

1.3 Welcomes annual updates in the fund's Stewardship Report to assess progress.

Moved by: Councillor Neil Ross

Seconded by:



Amendment by Councillor Burgess

Pensions Committee

26 June 2024

Item 6.7: Approach to Responsible Investment - Climate Change

Committee;

1. Notes that this report confirms that *'it is feasible to both further reduce investments in fossil fuel companies and increase investment in the transition to low carbon energy and industry'*;
2. Notes that reducing LPF investments in the Oil & Gas sector, and increasing investments in low-carbon energy and industry is in-line with fiduciary duty and the LPF Statement of Responsible Investment Principles as this would:
 - prevent the LPF having Oil & Gas 'stranded assets' in future
 - contribute towards reducing climate change impacts on the global economy and on returns from LPF holdings
 - support a gradual 'just transition' to low-carbon energy and industry
 - not impact the ability of the LPF to pay members' pensions
 - contribute to protecting the well-being of fund members
3. Notes that the policy of engagement has not succeeded in bringing major Oil & Gas companies into line with the UN Paris Agreement to limit global average temperatures 1.5 *C - for example as evidenced by the defeated shareholder resolution on limiting carbon emissions at Shell AGM 2024;

4. Notes that only a small proportion (2%) of LPF holdings are in Oil & Gas companies and also that most of these are in equities that are managed in-house, rather than being externally managed or being in other asset classes such as bonds. Further notes that the Oil & Gas sector makes up only around 5% of global equity markets;
5. Notes that the Church of England pension fund, for example, has adopted the independent Transition Pathway Initiative (TPI) assessment of alignment of carbon emissions with the UN Paris Agreement over short, medium and long-term as the criteria to assess Oil & Gas company investability;
6. Requests a report to the next committee on 'next steps' including;
 - a) Commentary on the potential impact of climate change on the global economy and the long-term sustainability of the LPF as highlighted at the recent Pensions committee and board training session;
 - b) Using Transition Pathway Initiative's short, medium and long-term carbon performance assessments for Oil & Gas companies as a criteria to assess the investability of Oil & Gas companies;
 - c) An estimate of the effect on LPF revenue of a transition from Oil & Gas holdings to low-carbon energy infrastructure and/or other holdings, based on average performance over the previous 10 years for:
 - i) equities that are managed in-house
 - ii) equities that are managed externally
 - iii) other assets including bonds;
 - d) A potential plan, including a timeline, for achieving transition of investments from Oil & Gas companies into other holdings, analysed separately by in-house and externally managed investments and by asset class

Moved by: Councillor Steve Burgess

Seconded by: