



South Yorkshire Pensions Authority

Climate Change Policy

The Authority recognises its responsibilities as an investor and actively considers how environmental, social and governance issues can be taken into account when managing investment portfolios. Environmental risks include climate change; the Authority believes that the associated risks and opportunities may have a material impact on the financial performance of the Fund. The interconnected nature of the problem is likely to reduce returns across all assets classes even on those investments not actually harmed by physical damage. Climate change will have a macroeconomic impact that will affect the entire portfolio. However, climate change risk is and remains an extremely complex and nuanced issue for any pension fund to tackle. The Authority will not actively disinvest from companies solely or principally because of social, ethical or environmental reasons. However, in light of the significant potential financial impacts of climate change upon the Fund, the Authority recognises that tilting investments and/or active management on climate change grounds may be prudent in some instances. The Authority will continue to actively engage with investee companies, either in collaboration with other investors, via membership of LAPFF or at individual meetings with companies.

The Authority's climate change policy will aim, wherever possible, to:

- Seek to establish its exposure to climate change and carbon risk through the commissioning of a carbon audit of the Fund's portfolios every two years. Results will be reviewed and used to focus engagement and strategy going forward.
- Encourage companies to develop and implement strategies to deal with various scenarios in an energy transition (e.g. a 2°C policy outcome).
- Use its voting rights accordingly.
- Co-file shareholder resolutions at AGMs to request deeper disclosure on climate risk issues.
- Whilst recognising that active shareholder engagement should be the Fund's first option, consideration will be given to reducing exposure to high-carbon intensity companies that fail to respond to engagement by not demonstrating a decrease in carbon intensity or carbon risk.

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- Over time endeavour to manage a tilt within portfolios in favour of lower carbon assets in-line with the Paris Agreement, with a view towards progressively decreasing the Fund's carbon exposure.
- Continue to collaborate with other investors through groups such as LAPFF.
- Actively engage with policy makers through its membership of IIGCC.

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