



**Falkirk Council**  
*Corporate & Housing Services*

Enquiries to: Bryan Smail  
Direct Dial: 01324 506300  
Date: 20 July 2020

Alyn Smith MP  
Office 16, John Player Building  
Stirling Enterprise Park  
Stirling  
FK7 7RP

Sent by email

Dear Mr Smith,

Thank you for your letter of 15 July, 2020.

I very much agree with your sentiments that Pension Funds, such as Falkirk, have a responsibility to keep environmental, social and governance (ESG) matters firmly in mind when investing.

On that note, I am pleased to say that in recent years' the importance of investing responsibly and reducing the risks from climate change have become major priorities for both the Falkirk Fund and our asset managers.

Our approach – set out in our Statement of investment Principles - requires managers to engage robustly with investee companies. Our managers are “big players” in the investment market (e.g. Legal and General, Schrodgers) and have their own specialist sustainability teams. They have the market leverage to force meetings with senior management and are able to exert pressure on companies to adopt more carbon friendly business plans. Recent successes from this type of engagement have seen BP and Barclays accept the need for better climate related disclosure and a more definite transition to a net zero position by 2050. In relation to Barclays, the Falkirk Fund was one of a very small number of UK local authority funds which co-filed a resolution promoting better climate change policies at the 2020 Barclays AGM.

Further engagement arises through the Fund's membership of the Institutional Investors Group on Climate Change, Climate Action 100+ and the Local Authority Pension Funds Forum – all three organisations being powerful lobbying entities with the weight of £trillions behind them.

I appreciate that there is more to be done and to that end we are in the process of:

- a) actively looking to invest part of the Fund in a vehicle that will positively support climate change mitigation; and
- b) procuring an engagement specialist to help probe companies on their environmental policies

*Director: Stuart Ritchie*  
Municipal Buildings,  
Falkirk FK1 5RS  
LP 1 Falkirk – 2.

Telephone: 01324 506070


Whilst both the Pensions Committee and Fund officers are very alive to the significance of climate change and the desire to invest pro-actively in the aftermath of Covid-19, the Fund does have a legal and fiduciary responsibility to ensure that it generates sufficient returns to continue to pay pensions and other benefits as they fall due and also to ensure that the burden of cost (through employer contributions) is not higher than it otherwise needs to be. The investment strategy of the Fund - based on the advice of experienced investment professionals - is to hold a diversified range of lower risk, income generative assets with an emphasis on protecting capital over the long term.

Notwithstanding these comments, the Fund has an “alternative” investments programme which does include investing in green and sustainable projects. We will continue to look for opportunities in these areas as the economic landscape becomes clearer in the coming months. Investments of this type that the Fund has already made include:

- Harburnhead Wind Farm, West Lothian
- Portfolio of 11 Solar Farms, Central England
- Portfolio of Wind farms in North and North East Scotland and wider UK
- Separate portfolio of 24 wind farms in Scotland, Northern England and Wales
- HS 1 – High Speed Rail Link, Southern England
- Waste Energy Plants, London, Teeside and South Wales,
- Electricity North West (formerly Norweb)
- IEP West and Thameslink, (Railway rolling Stock)
- Affordable housing in Perth, Dalkeith, Haddington, Bo’ness, Aberdeen

I hope this response gives you an insight into the Fund’s activities in the sustainable investment space and provides reassurance that the Fund is alert to the issues you have raised whilst acting prudently and responsibly to meet its obligations to its stakeholders.

Yours sincerely,



**CHIEF FINANCE OFFICER**

Our Ref:

Your Ref: ASJG