

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &
IMPROVEMENT****CLIMATE ACTION PLAN REPORT****Purpose of the Report**

1. To review progress against the Climate Action Plan and consider additional items.

Information

2. The first Climate Risk Report was reported to the Nottinghamshire County Council Pension Fund in October 2020, with a number of recommendations which became the Fund's Climate Action Plan. Since then the Plan has been reviewed and updated on receipt of the annual Climate Risk Reports and the Committee has reviewed progress on a six monthly basis.
3. The following table shows the progress which has been made against the Climate Action Plan for this year and whether it is in accordance with the original plan.

Ref	Category	Action	Timing	Notes	Progress since October 22	In line with original plan?
	Governance					
1	Governance	Publish a TCFD (Taskforce for Climate-related Financial Disclosure) Report. This will incorporate the key elements of the Climate Risk Report.	Oct-Dec each year	LGPS Central to provide support	Published at the December 22 PFC (Pension Fund Committee) meeting. The 22/23 TCFD report is due at the Dec 23 PFC meeting	Yes
2	Policies	Maintain a Climate Strategy consistent with the TCFD recommendations and including a Climate Stewardship Plan, monitored regularly by the Nottinghamshire Pension Fund Committee	The strategy was reviewed in the spring alongside other strategies	LGPS Central to provide support	The Climate Strategy was approved by PFC in April 23. The Climate Stewardship Plan monitoring update was reported at the same meeting.	Yes
3	Governance	Schedule agenda time at Nottinghamshire Pension Fund Committee meetings at least annually for discussion of progress on climate strategy Report 6 monthly on progress for the first two years of the Action Plan.	An annual review will take place to coincide with the annual update of metrics		The 6 monthly review took place in April and this is the annual review.	Yes
4	Governance	Schedule one training session on general Responsible Investment matters and one climate-specific training per year	Jan & October working parties	LGPS Central to provide training	LGPS Central provided a training on Green Bonds at the January Working Party. A training on the new LGPS Central proposed stewardship	Yes

Ref	Category	Action	Timing	Notes	Progress since October 22	In line with original plan?
	Governance					
					themes took place at the October Working Party.	
5	Reporting	In the Annual Report include a summary of the Climate Risk Report in a manner consistent with the TCFD Recommendations and a summary of the Fund's annual voting activities.	Annually	LGPS Central to provide support with this	The voting summary has been included in the Annual report for 22/23. The latest available TCFD report will be included.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Strategy					
6	Asset Allocation	Notwithstanding other factors in the Fund's asset allocation process, seek to move towards the Long Term Target Strategic Asset Allocation weightings	Ongoing	This item is now completed. Climate risk considerations will continue to inform strategic asset allocation, but this item can be removed from the Action Plan.	The strategic asset allocation was achieved including the investment of the 5% allocation to Sustainable Equities that was invested in May 22.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Strategy					
7	Asset Allocation	The Fund should attempt to take a view on the likelihood of different climate scenarios, drawing on its suppliers and advisers.	Ongoing	With the support of LGPS Central and our Independent Adviser	Considered in the January WP meeting.	Yes
8	Asset Allocation	Monitor fund managers, discussing with equity managers the influence of climate factors on their sector positioning and with real assets managers their physical risk resilience & GRESB participation. Use IIGCC (The Institutional Investors Group on Climate Change)'s "Addressing climate risks and opportunities in the investment process"	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central and investment managers	Engagement is a regular topic at PFC. LGPS Central reported on the Stewardship Plan as part of the Climate Risk reporting in April.	Yes
9	Asset Allocation	Explore the potential for additional allocations to Global Sustainable Equities and Infrastructure if evidence suggests there could be asymmetrical return profiles (i.e. with expected relative upside in a 2°C scenario and no meaningful relative downside)	Considered as part of the annual review of asset allocation		A 5% allocation to sustainable equities was agreed at the March 22 PFC and invested in May 22 when the new LGPS Central Sustainable Equity Fund was launched. Performance is being monitored.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Strategy					
10	Asset Allocation	Explore potential investments in sustainable private equity, green bonds and low-carbon passive equities.	Ongoing	Longer term consideration Take into account as review of asset allocation	These investment options continue to be considered and where appropriate some are included within the existing LGPS Central funds.	Yes
11	Policy Engagement	Continued public support for the Paris Agreement and join collaborations of like-minded institutional investors to collectively lobby for Paris-aligned climate policies via LGPS Central	Ongoing	With the support of LGPS Central Part of stewardship plan	The Fund's Climate Strategy explicitly gives "strong support" to the Paris Agreement. The Climate Stewardship Plan draws on the CA100+ benchmark, which is a collective effort to monitor company progress on implementing Paris-aligned climate policies. LGPS Central have continued to join collaborations for lobbying purposes.	Yes
12	Strategy	Explore the potential options to monitor and manage climate risk in alternative asset classes	Ongoing	With the support of LGPS Central	LGPS Central are exploring this.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Risk Management					
13	Company Stewardship	Create and maintain an annual stewardship plan	April 23	With the support of LGPS Central	Plan and engagement update was taken to the April 23 PFC	Yes
14	Company Stewardship	Through LGPS Central, engage corporate bond managers on their approach to assessing climate risk within their portfolio in the absence of reported greenhouse gases emissions data	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	LGPS Central have engaged with corporate bond managers on a regular basis.	Yes
15	Company Stewardship	Prioritise the most material/ strategic real assets investment manager exposure for dialogue on climate risk. Consider using the recent IIGCC guide for this endeavour.	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	LGPS Central are engaging on the Fund's behalf on a regular basis.	Yes
16	Company Stewardship	Continue to engage the companies highlighted in the Climate Stewardship Plan through selected stewardship partners	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central	Plan and engagement update was provided to the April 23 PFC. Schroders challenged on their engagement and strategy at the March 23 and September 23 PFC.	Yes
17	Company Stewardship	Report progress on the Climate Stewardship Plan to the Nottinghamshire Pension Fund Committee on an annual basis.	Ongoing	With the support of LGPS Central	Plan and engagement update was provided to the April 23 PFC.	Yes
18	Company Stewardship	Ensure that the Fund's voting behaviour supports and enhances engagements highlighted in the Climate Stewardship Plan.	Ongoing – will form part of the annual stewardship plan	With the support of LGPS Central and Hermes EOS	Voting reports delivered quarterly. Integrated strategy delivered by Hermes EOS.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Risk Management					
19	Climate Stewardship Plan	Add NextEra Energy, Reliance Industries, Cemex and Southern Company to the Climate Stewardship Plan for 2023-24.	From 2023-24	With the support of LGPS Central	LGPS Central will include these companies in their 23-24 update.	

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Metrics and Targets					
20	Metrics	Repeat Carbon Risk Metrics analysis annually	Autumn 23		The 2023 Climate Risk Report is being presented to the December PFC.	Yes
21	Metrics	Repeat Climate Scenario Analysis every 2-3 years	Delivered in Dec 22 PFC. Next report due alongside the next Triennial Valuation		LGPS Central are monitoring developments in this evolving area to inform the provision of the next Climate Scenario Analysis .	Yes
22	Metrics	Report annually on progress on climate risk using the TCFD framework	Autumn 23		The 2023 Climate Risk Report is being presented to the December PFC.	Yes
23	Metrics	<ul style="list-style-type: none"> Continue to monitor manager engagement progress with key carbon intensive and fossil fuel holdings Continue to monitor manager approaches to managing climate risk within the portfolios Continue to monitor manager performance 	Ongoing	With the support of LGPS Central and investment managers	Schroders challenged on their engagement and strategy at the March 23 and September 23 PFC.	Yes

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?
	Metrics and Targets					
		on carbon risk metrics relative to the benchmark				

Proposed Changes

Ref	Category	Action	Timing	Notes	Progress since October 22	Proposal
6	Strategy Asset Allocation	Notwithstanding other factors in the Fund's asset allocation process, seek to move towards the Long Term Target Strategic Asset Allocation weightings	Ongoing	This item is now completed. Climate risk considerations will continue to inform strategic asset allocation, but this item can be removed from the Action Plan.	The strategic asset allocation was achieved including the investment of the 5% allocation to Sustainable Equities that was invested in May 22.	Delete from Action Plan

Other work

4. The items on the Climate Action Plan are just part of the work the Pension Fund is doing to mitigate the financial risk of climate change.
5. The Pension Fund will continue to monitor and manage all financially material risks to which it is exposed.

Other Options Considered

6. None. This progress report was requested by the Nottinghamshire County Council Pension Fund Committee.

Reason/s for Recommendation/s

7. The Climate Action Plan is part of the Fund's approach to addressing the risks and opportunities related to climate change.

Statutory and Policy Implications

8. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

9. There are no direct financial implications arising as a result of publishing this report.

RECOMMENDATION/S

- 1) That members
 - Agree the proposed amendment
 - Endorse the work that has been undertaken and note the progress made against the Climate Action Plan and
 - consider whether there are any actions they require in relation to the progress on the Nottinghamshire County Council Pension Fund Climate Action Plan.

Nigel Stevenson

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For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 01/12/2023)

10. The proposal in this report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (TMR 20/11/2023)

11. The financial implications are set out in paragraph 9.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All