

Nottinghamshire County Council Pension Fund Climate Stewardship Plan

1. Introduction

This report is the annual update to the Fund's Climate Stewardship Plan first published in March 2021. The Climate Stewardship Plan identifies specific investee companies and portfolio managers in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund. The Climate Stewardship Plan aligns with and is supportive of the Task Force on Climate-related Financial Disclosures (TCFD), and relates to the third pillar – Risk Management.

The Climate Stewardship Plan focuses specifically on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

2. Scope

The Fund's 2023 Climate Risk Report included a bottom-up Carbon Risk Metrics analysis of its equity and fixed income portfolios. Carbon Risk Metrics included: weighted average carbon intensity, financed emissions, exposure to fossil fuel reserves and clean technology. Alongside these metrics, the 2023 Climate Risk Report has included additional metrics such as data quality and Paris Alignment¹. The companies recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics
- Weight of the company in the Fund
- Ability to leverage investor partnerships

The fund managers recommended for engagement were identified based on the following factors:

- Perceived level of climate risk, considering carbon risk metrics and climate scenario analysis
- Size (by AUM) of the portfolio
- Whether the mandate is expected to be long-term

3. Climate Stewardship Plan

The Fund will continue to monitor engagements with a focussed list of investee companies across materials, energy and mining sectors that face a high level of climate risk and are of particular significance to the Fund's portfolio. All of these companies are captured by the Climate Action

¹ Please find definitions for Carbon Risk metrics included on pages 46-50 of Nottinghamshire Pension Fund 2023 Climate Risk Management Report.

100+ (CA100+) engagement project², in which our pooling company LGPS Central is an active participant.

In leveraging this investor partnership the Fund is able to engage and monitor progress for the focus list companies against the CA100+ Net Zero Benchmark Framework. All companies have been asked to set a 2050 net zero emissions ambition and to provide verifiable evidence of how that will be achieved in the short, medium and long term. Each company is assessed against eight key Framework indicators and the results are made publicly available by CA100+. Company response and engagement progress will feed into voting decisions undertaken by the Fund. LGPS Central will provide an annual update on engagements on the investee companies listed in the Fund's Climate Stewardship Plan. The Fund will continue to engage investee companies on all elements of the CA100+ Framework but with particular emphasis on:

Company	Sector	Issue/Objective
BHP	Materials	<ul style="list-style-type: none"> For BHP to establish clear short-, medium- and long-term Green House Gas (GHG) reduction targets that cover all material scope 1, 2 and 3 GHG emissions and are aligned with a 1.5°C warming trajectory
BP	Energy	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative To duly account for climate risks in financial reporting
CRH	Materials	<ul style="list-style-type: none"> Improved disclosure around its membership and involvement in trade associations engaged in climate issues More robust reporting of Scope 1, 2 and 3 emissions Increased development of activities focusing on low-carbon cement solutions
ExxonMobil	Energy	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework
Glencore	Materials	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ benchmark
Rio Tinto	Diversified Mining	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative
Shell	Energy	<ul style="list-style-type: none"> To set and publish targets that are aligned with the goal of the Paris Agreement To fully reflect its net-zero ambition in its operational plans and budgets To set a transparent strategy for achieving net-zero emissions by 2050

² Climate Action 100+ (CA100+) was initiated in December 2017 and is supported by more than 700 investors with 68 trillion USD in AUM. The project builds on a relatively simple but powerful logic: Engage and influence the highest emitters (80% of global industrial emissions) and you influence whole sectors, markets and the global economy with a view to assisting an orderly transition to a low-carbon economy.

TotalEnergies	Energy	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework
Anglo-American	Materials	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative.

The Fund will continue to monitor identified investment managers to ensure climate-related risk is fully integrated into their investment process. The Fund will engage its managers on the following issues:

Asset Class	Topic
Equities	<ul style="list-style-type: none"> The influence of climate factors on sector positioning Stewardship activities with companies identified in Climate Risk Report
Fixed Income	<ul style="list-style-type: none"> Approach to assessing climate risk in the absence of reported GHG emissions data Engagement with the most intensive carbon issuers Extent of investment in green bonds
Real Assets	<ul style="list-style-type: none"> Physical risk resilience GRESB participation

4. Timeline

The Climate Stewardship Plan sets stewardship objectives over several years, and the Fund will report on progress annually through its public facing Climate Risk Report, with this being the first update. During the annual refresh of the Carbon Risk Metrics, the focus list of investee companies and Fund Managers will be reviewed and amended if required.