

27 April 2023

Agenda Item: 7

**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. The Plan was reviewed and updated on receipt of each subsequent Climate Risk Report. 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 December 22	In line with original plan?
	Governance					
1	Governance	Continue to report decarbonisation progress on an annual basis, comparing results with previous values.	Oct-Dec each year	LGPS Central to provide support	TCFD (Taskforce for Climate-related Financial Disclosure) Report incorporating the key elements of the Climate Risk Report published at the December 22 PFC (Pension Fund Committee) meeting	Yes
2	Governance	Work with LGPSC to integrate 'climate solutions' data into the CRMS once an industry-agreed definition is available. This report utilises MSCI's definition of clean technology as a proxy to track investments into 'climate solutions'. There are other methods including EU Taxonomy and we expect industry standards to progress in future versions of the report.	Dependent on industry progress	LGPS Central is contributing to this		Yes

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
	Strategy					
3	Strategy	Continue with a net zero trajectory through various collaborations including with LGPSC and other external managers. This is to ensure that climate transition and physical risks are identified and managed through stewardship and/or asset allocation activities.	Ongoing		Collaborations are an ongoing part of our stewardship strategy. The strategic asset allocation was discussed at the January WP meeting.	Yes

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
	Risk Management					
4	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 will be provided to the April 23 PFC. Schroders challenged on their engagement and strategy at the March 23 PFC.	Yes
5	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 December 22 PFC within the Climate Risk Analysis.	Yes

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
Metrics and Targets						
6	Metrics	Repeat Carbon Risk Metrics analysis annually	Autumn 23			Yes
7	Metrics	Report annually on progress on climate risk using the TCFD Framework.	Autumn 23			Yes
8	Metrics – Equities	Continue to monitor Shell, BP, Exxon Mobil and CRH via the Fund’s Climate Stewardship Plan.	April 23		The 2023 Climate Stewardship Plan Progress Report is being presented to the April 23 PFC.	Yes
9	Metrics – Core Index	Continue to monitor the high exposure to fossil fuel reserves within the LGIM UK Equity Index.	Ongoing	With the support of LGPS Central		Yes
10	Metrics – Schroders Equity Fund	Engage with Schroders on their investment thesis and stewardship activities.	Ongoing		Schroders challenged on their engagement and strategy at the March 23 PFC.	Yes
11	Metrics - RWC	Continue to request information from RWC on their direct climate stewardship. Monitor RWC Japan’s approach to assessing climate risks of new additions into the fund which led to the increase in carbon intensity and financed emissions compared to the baseline.	Ongoing	RWC carbon intensity remains very low compared to other funds.		Yes
12	Metrics – LGPS Central	Monitor LGPS Central’s approach to managing climate risk in the EMEAMMF (Emerging Market Equities).	Ongoing	With the support of LGPS Central	Data on all LGPS Central funds provided and challenged on a quarterly basis.	Yes

Ref	Category	Action	Timing	Notes	Progress since December 22	In line with original plan?
Metrics and Targets						
13	Metrics – Fixed Income	Monitor LGPS Central’s approach to managing climate risk within their portfolio, particularly where there is an absence of reported GHG emissions data. Query the fund managers position on the Utilities sector in relation to the climate transition and net-zero ambitions.	Ongoing	With the support of LGPS Central and their investment managers	Data on all LGPS Central funds provided and challenged on a quarterly basis.	Yes

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 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

Service Director for Finance, Infrastructure & Improvement and Section 151 Officer

For any enquiries about this report please contact: Tamsin Rabbitts

Constitutional Comments (KK 18/04/2023)

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

Financial Comments (TMR 31/03/2023)

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