Nottinghamshire County Council

Nottinghamshire Pension Fund Committee

Thursday, 28 April 2022 at 10:30

County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

Notes

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

(3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Jo Toomey (Tel. 0115 977 4506) or a colleague in Democratic Services prior to the meeting.

(4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

(5) This agenda and its associated reports are available to view online via an online calendar - http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

minutes

Meeting	NOTTINGHAMSHIRE PENSION FUND COMMITTEE
Date	Thursday 10 March 2022 at 10.30 am

membership

COUNCILLORS

Eric Kerry (Chairman)
André Camilleri (Vice Chairman)

Stephen Garner
Mike Introna
Sheila Place
Mike Pringle
Roger Upton
Lee Waters
Gordon Wheeler

NON-VOTING MEMBERS:

Nottingham City Council

Councillor Graham Chapman
Councillor Anne Peach
Councillor Zafran Khan

District / Borough Council Representatives

Councillor David Lloyd, Newark and Sherwood District Council - Absent
Councillor Gordon Moore, Rushcliffe Borough Council

Trades Unions

Mr A Woodward - Apologies
Mr C King

Scheduled Bodies

Mrs Sue Reader – Apologies

Pensioners' Representatives

Vacancy x 2

Independent Adviser

William Bourne

Officers in Attendance

Nigel Stevenson	(Chief Executive's Department)
Jon Clewes	(Chief Executive's Department)
Tamsin Rabbitts	(Chief Executive's Department)
Jo Toomey	(Chief Executive's Department)

Before moving to the formal business of the meeting, the Chairman read out a statement that set out the Fund's position in response to the invasion of Ukraine by Russia.

1. MINUTES OF THE LAST MEETING HELD ON 2 FEBRUARY 2022

The minutes of the last meeting held on 2 February 2022 were confirmed as a correct record for signing by the Chair.

2. APOLOGIES FOR ABSENCE

- Sue Reader, Scheduled Bodies Representative

3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

No interests were disclosed.

4. LOCAL GOVERNMENT PENSION SCHEME CONFERENCE, JANUARY 2022

The report on the Local Government Pension Scheme Conference gave members an overview of the presentations that were given.

During discussion, Members:

- Asked what reference had been made to COP26 within conference sessions
- Noted that within the conference there was discussion around engagement and divestment

RESOLVED 2022/008

That the contents of the report be noted.

5. STRATEGIC ASSET ALLOCATION WORKING GROUP

The Strategic Asset Allocation working group met on 31 January 2022. The report summarised the discussions that took place and the recommendations that arose from the workshop.

During discussion, Members:

- Discussed the recommendation to proceed with the 5% allocation in the LGPS Central sustainable equity fund proposed in 2021
- Suggested that further allocations could potentially be made in the future.
- Sought guidance on the impact of Russia's invasion of Ukraine on future investments

RESOLVED 2022/009

1) To invest 5% of the Fund in the LGPS Central Global Sustainable Equity fund.

2) To change the equity benchmark used to monitor equity investments in the Specialist portfolio to a composite consisting 50% FT Japan, 50% FT Europe inc. UK in GBP.

3) To reallocate the Darwin investments to the Inflation category, specifically Darwin Leisure Property and Darwin Leisure Development Funds to real estate, and Darwin Bereavement Fund to infrastructure.

4) To reduce the Strategic Asset Allocation private equity allocation from 6.5% to 6.0% and raise listed Developed Market equity from 48.5% to 49% and to amend the final sentence of the Investment Strategy Statement paragraph 53 to allow commitments to exceed asset allocation.

5) To amend the Strategic Asset Allocation Inflation category subclass allocations as shown in Table 1 of the report.

6) To continue to monitor the exposure to the tobacco sector.

6. INDEPENDENT ADVISER'S REPORT

The Independent Adviser provided an update report to the Committee.

During discussions, Members:

- Considered the impact of the war in Ukraine and the impact on the price of commodities, together with potential consequences on inflation rates and the risk of stagflation
- Considered the fund's exposure in relation to any write-offs or stocks that have been written down as a response to the war
- Noted that Russian assets had been frozen and could not currently be sold
- Spoke about supply challenges within the energy and food sectors following the Russian invasion of Ukraine.

RESOLVED 2022/010

That the report of the Independent Advisor be noted.

7. WORK PROGRAMME

Committee members asked for reassurance that if it was necessary for Committee to take a decision outside the timeline of its scheduled meetings, it would be possible to call an additional meeting. A suggestion was made that it may be helpful to produce a fact sheet, which could be circulated to Committee members to inform them of ongoing developments outside Committee meetings.

Members asked about the item on the review of the Pension Fund Committee and were advised about the governance review that the Council was undertaking.

RESOLVED 2022/011

That the work programme be agreed.

11:36 – Councillor Garner left the meeting and did not return. Councillor Khan entered the meeting.

8. FUND VALUATION AND PERFORMANCE – QUARTER 3

The report informed the Committee of the value of the Pension Fund at the end of the latest quarter and provided information on its performance.

During discussion, Members:

- Noted the decreasing trend in investment in fossil fuels, with a view given that it would be positive to see that trend continue.

RESOLVED 2022/012

That no further actions were required in relation to the issues contained within the report.

9. EXCLUSION OF THE PUBLIC

RESOLVED 2022/013

That the public be excluded for the remainder of the meeting on the grounds that the discussions were likely to involve disclosure of exempt information described in schedule 12A of the Local Government Act 1972 and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

10. FUND VALUATION AND PERFORMANCE – QUARTER 3 – EXEMPT APPENDIX

Members considered the contents of the exempt appendix to the fund valuation and performance report.

RESOLVED 2022/014

That the contents of the exempt appendix be noted.

11. FUND MANAGER PRESENTATIONS

a) Abrdn

Jon Holguin and Craig Thomson provided a report to the Committee on the activities of Abrdn.

12:10pm - Councillor Peach left the meeting and did not return

b) Schroders

Gavin Marriott, Paul Miles, Andy Simpson and Alex Tedder provided a report to the Committee on the activities of Schroders.

12.44pm – Councillor Pringle left the meeting and did not return

The meeting concluded at 13.05pm

CHAIR

Nottinghamshire County Council

Report to Pension Fund Committee

28 April 2022

Agenda Item: 4

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

CLIMATE STEWARDSHIP PLAN UPDATE AND ENGAGEMENT REPORT

Purpose of the Report

1. To provide an updated Climate Stewardship Plan for 22/23 and to report on engagement undertaken as part of the 21/22 Climate Stewardship Plan.

Information

2. The Climate Stewardship Plan was adopted by Nottinghamshire Pension Fund in April 2021 following the first Climate Risk Report. Following the second Climate Risk Report in October 2021 this Plan has been updated to reflect the findings of that report and refresh the wording for the current situation. The 22/23 Climate Stewardship Plan is attached as Appendix A to this report.

3. The Climate Stewardship Plan identifies the areas 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.

4. The Climate Stewardship Plan focusses on engagements with 8 specific companies and on the monitoring of the investment process of the principal investment managers identified through the Climate Risk analysis.

5. The Engagement Update report in Appendix B provides details of LGPS Central's engagement rationale, objectives and strategy for the companies identified.

6. The Climate Stewardship Plan sets stewardship objectives over several years, and the Fund will report on progress annually. 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.

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

Other work

8. The Pension Fund will continue to monitor and manage all financially material risks to which it is exposed.

Other Options Considered

9. The Pension Fund is not required to publish Climate Stewardship Plan. However the fund committed to publish one as part of the Climate Action Plan.

Reason/s for Recommendation/s

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

Statutory and Policy Implications

11. 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

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

RECOMMENDATION/S

1) That members consider whether there are any actions they require in relation to the 2022/23 Climate Stewardship Plan and the engagement undertaken as part of the 2021/22 Climate StewardshipPlan.

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 21/03/2022)

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

Financial Comments (TMR 15/03/2022)

14. The financial implications are set out in paragraph 12.

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

Nottinghamshire County Council Pension Fund Climate Stewardship Plan

1. Introduction

In October 2021 Nottinghamshire County Council Pension Fund (the Fund) received its second in-depth Climate Risk Report from its pooling company, LGPS Central Limited. One of the key recommendations from its first Climate Risk Report was for the Fund to develop a Climate Stewardship Plan. This report is an update to the Fund's Climate Stewardship Plan 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 specificially on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

2. Scope

The Fund's Climate Risk Report included a bottom-up Carbon Risk Metrics analysis of its equity portfolios. The Carbon Risk Metrics utilised included; portfolio carbon footprint (weighted average carbon intensity), exposure to fossil fuel reserves, weight in clean technology, and carbon risk management (via the Transition Pathway Initiative). 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 focus list of eight 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 100+ (CA100+) engagement project[1], in which our pooling company LGPS Central is an

[1] Climate Action 100+ (CA100+) was initiated in December 2017 and is supported by more than 500 investors with 47 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.

active participant. There were no changes to the focus list of investee companies between the Fund's first and second Climate Risk Report. 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 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 in to voting decisions undertaken by the Fund. In March 2022 LGPS Central will provide an 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	• Deliver Paris-aligned business strategy
BP	Energy	• Deliver Paris-aligned business strategy
CRH	Materials	• Deliver Paris-aligned business strategy
ExxonMobil	Energy	• Improved carbon risk management quality (measured by TPI score) • Plans to decarbonise the business model in line with the Paris agreement • Improved shareholder relations
Glencore	Materials	• Lobbying and trade associations • Climate Transition Plan
Rio Tinto	Diversified Mining	• Paris-aligned business model including scope 3 emissions • Lobbying and trade associations
Shell	Energy	• Capital allocation aligned with the Paris Agreement • Climate Transition Plan
Total	Energy	• Alignment of Net Carbon footprint with the Paris Agreement

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	• The influence of climate factors on sector positioning • Stewardship activities with companies identified in Climate Risk Report
Fixed Income	• 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	• 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.

PREPARED BY LGPS CENTRAL LIMITED

Nottinghamshire Pension Fund

Climate Stewardship Plan 2021 Engagement Update

MARCH 2022

SECTION 1

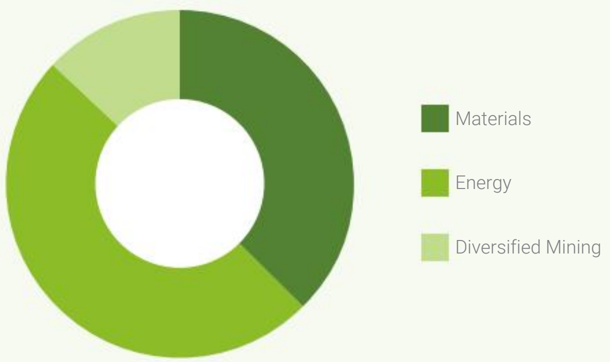
Climate Stewardship Plan Scope

Based on the findings of its 2020 Climate Risk Report the Fund has developed a Climate Stewardship Plan ("CSP"). The CSP identifies the areas in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund.

COMPANY ENGAGEMENT

The Fund's 2020 Climate Risk Report identified eight companies considered to be of most relevance to NPF's climate risk. Figure 1.1 details the sectors these eight companies are found in. Reflecting the externally managed nature of NPF, the Fund's portfolio managers and suppliers are engaging with these companies on behalf of the Fund. The CSP outlines the rationale, objectives and strategy of the engagement activity. A progress update based on the identified measures of success will be provided annually as part of the Fund's Climate Risk Report.

Figure 1.1 Sectors included in the Fund's CSP



SECTION 2

Company Engagement Update

We have reviewed ongoing engagements with the eight investee companies identified in the Fund's CSP. Table 2.1 details the manager responsible for conducting the engagement. For each company, we provide below the context of the engagement, including the rationale, objectives and strategy, alongside issuing the first annual progress update. The Climate Action 100+ Benchmark is used as a key tool to monitor progress throughout the Fund's CSP. We therefore provide below a high-level summary of this initiative, before assessing each of the eight companies in turn.

CLIMATE ACTION 100+ (CA100+)

CA100+ is an investor-led initiative set up to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The engagement initiative currently encompasses 167 companies that are estimated to collectively emit more than 80% of industrial GHG emissions globally. Investor participants, including LGPSC Central, have committed to engage these high emitters to:

- Implement a **strong governance** framework which clearly articulates the board's accountability and oversight of climate change risk;
- Take action to **reduce GHG emissions** across the value chain, consistent with the Paris Agreement's goal of limiting global average temperature increase to below two degrees Celsius above pre-industrial levels, aiming for 1.5 degrees. Notably, this implies the need to move towards net-zero emissions by 2050 or sooner; and
- Provide enhanced **corporate disclosure** in line with the final recommendations of the Task Force on Climate related Financial Disclosures (TCFD) and sector-specific Global Investor Coalition on Climate Change (GIC) Investor Expectations on Climate Change guidelines (when applicable), to enable investors to assess the robustness of companies' business plans against a range of climate scenarios, including well below two degrees and improve investment decision-making.

In September 2020, CA100+ introduced a Benchmark Framework which identifies ten key indicators of success for business alignment with a net zero emissions future and goals of the Paris Agreement . Assessments for each CA100+ company against the ten indicators were published on 22 March 2021 and offers comparative assessments of individual focus company performance against the three high-level commitment goals.

TRANSITION PATHWAY INITIATIVE

The Transition Pathway Initiative (TPI) framework evaluates companies based on their climate risk management quality and their carbon performance. The former includes an assessment of policies, strategy, risk management and targets. There are six management quality levels a company can be assigned to:

- Level 0 – Unaware of (or not Acknowledging) Climate Change as a Business Issue
- Level 1 – Acknowledging Climate Change as a Business Issue
- Level 2 – Building Capacity
- Level 3 – Integrated into Operational Decision-making
- Level 4 – Strategic Assessment
- Level 4* – Satisfies all management quality criteria

TABLE 2.1 COMPANIES INCLUDED IN THE CLIMATE STEWARDSHIP PLAN[1]

COMPANY	SECTOR	INVESTMENT PORTFOLIO
BHP	Materials	• Schroders UK Direct Holdings • LGIM UK Equity Index • LGPS Central UK Passive Equities • Schroders Institutional Pacific • LGIM Asia-Pacific Ex-Japan Developed Equity Index • LGPS Central Global Ex-UK Fund • LGPS Central GEAMMF: Schroders
bp	Energy	• Schroders UK Direct Holdings • LGIM UK Equity Index • LGPS Central UK Passive Equities
CRH	Materials	• LGIM UK Equity Index • LGPS Central UK Passive Equities
ExxonMobil	Energy	• LGIM North America Equity Index • LGPS Central Global Ex-UK Fund
GLENCORE	Materials	• LGIM UK Equity Index • LGPS Central UK Passive Equities • GEAMMF: Harris
RioTinto	Diversified Mining	• LGIM UK Equity Index • Schroders Direct UK Holdings • LGPS Central UK Passive Equities • Schroders Institutional Pacific • LGIM Asia-Pacific Ex-Japan Developed Equity • LGPS Central Global Ex-UK Fund
Shell	Energy	• Schroders UK Direct Holdings • LGIM UK Equity Index • LGPS Central UK Passive Equities
TOTAL	Energy	• LGIM Europe Ex-UK Equity Index • LGPS Central Global Ex-UK Fund • LGPS Central GEAMMF: Schroders

[1] As at 31st March 2021

BHP

GEOGRAPHY
United Kingdom

SECTOR
Mining

COMPANY CONTEXT

BHP is the world's largest diversified resource company and a top five global producer of iron ore, metallurgical coal and copper in concentrate. It is also a highly profitable global name in petroleum products. In 2019, LGPS Central supported a shareholder resolution asking BHP to suspend membership of industry associations whose record of advocacy demonstrates inconsistency with the Paris goals. Following the resolution, LGPS Central was part of a series of engagements covering various climate-change related aspects. Predominately this included (i) industry associations and (ii) climate change target setting. In September 2020 the company announced its Net Zero by 2050 target.

ENGAGEMENT OBJECTIVES

1. For BHP to suspend memberships from any association that is not aligned with their own climate change goals.
2. For BHP to establish clear short-, medium- and long-term GHG reduction targets that cover all material scope 1, 2 and 3 GHG emissions and are aligned with a 1.5°C warming trajectory.

ENGAGEMENT STRATEGY

Direct Engagement by LGPS Central via the CA100+

TPI ASSESSMENT

MANAGEMENT QUALITY

4*

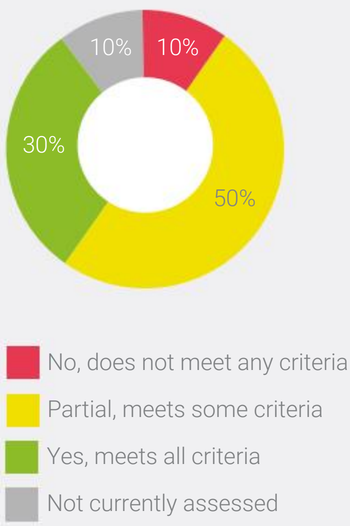
PARIS ALIGNMENT

Not Aligned

MEASURES OF SUCCESS

In late-2020 BHP announced their commitment to several new medium-term reduction targets. We were pleased that BHP took many recommendations from previous investor engagements on board. The company committed to reduce its scope 1 and 2 emissions by at least 30% by 2030 relative to 2020. The company also presented initial actions to support the reduction of scope 3 emissions from shipping and steelmaking, and we were encouraged that the investor request to strengthen the link between climate performance and remuneration was implemented. At their 2021 AGM, BHP submitted their Climate Transition Action Plan to an advisory vote for the first time. Although non-binding, the board promised to take the vote into account in the implementation of the plan and its next revision. The strategy included the medium-term operational GHG emission reduction target of 30% mentioned above, a 40% emissions intensity reduction target of BHP-charted shipping of products, a net-zero by 2050 target for Scope 1 and 2 emissions. However an assessment of their strategy revealed that their short, medium and long-term targets are not aligned with the goal of limiting global warming to 1.5°C. As such, LGPS Central voted against BHP's climate strategy at the AGM. Going forward, LGPS Central will continue to engage with the company, who are both open and responsive to engagement, on their climate strategy, particularly on Scope 3 emissions.

CA100+ BENCHMARK ASSESSMENT



BP

GEOGRAPHY
United Kingdom

SECTOR
Energy

TPI ASSESSMENT

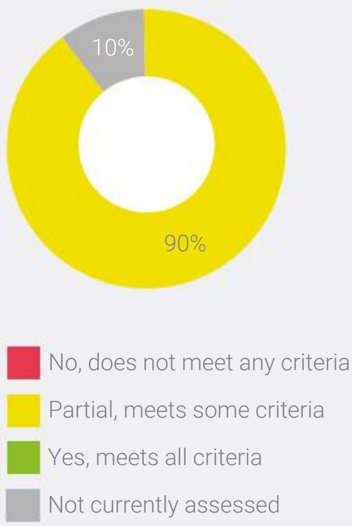
MANAGEMENT QUALITY

4*

PARIS ALIGNMENT

Not Aligned

CA100+ BENCHMARK ASSESSMENT



COMPANY CONTEXT

British Petroleum (BP) is a multinational oil & gas company headquartered in the United Kingdom that operates in upstream, downstream and renewables businesses. The firm engages in oil and natural gas exploration, field development & production and trading through its upstream segment, and refines, manufactures, supplies and trades oil and petroleum products through its downstream segment. BP is the only oil & gas major to have a shareholder resolution already in place (put forward by CA100+ and supported by management at the AGM in 2019) which requests a strategy and targets consistent with the Paris Goals. Building on the 2019-commitment for Paris-alignment, BP announced in February 2020 that it aims to become net-zero by 2050 or sooner. This aim was supported by ten sub-aims, split equally between "aims to get BP to net-zero" and "aims to help the world get to net-zero". Alongside their greenhouse gas reduction targets covering its scope 1, 2 and 3 emissions for its energy produced and its energy marketed, BP's revised strategy is to increase investment in low-carbon products tenfold and cut oil & gas production by 40%. Targets for BP's energy produced appear aligned to the Paris goals and achieve net-zero. However, those for its energy marketed, which aim for a reduction of 50% in the emissions intensity of product sold by 2050, are not as ambitious and do not achieve net-zero emissions by 2050. BP has yet to better explain how these are consistent with the Paris goals and/or to further strengthen these.

ENGAGEMENT OBJECTIVES

There are currently two separate engagements being conducted with BP. Firstly through Climate Action 100+, which LGPS Central's stewardship provider EOS at Federated Hermes (EOS) co-leads. Secondly, through an investor group that LGPS Central is a part of, which focuses on Paris-aligned financial accounting and can be viewed as a satellite to the CA100+ project.

Climate Action 100+ objectives:

- Achievement of the high-level objectives of the CA100+ initiative (see above box) including attainment of the specific indicators in the CA100+ Benchmark Framework.

Paris-aligned accounting initiative objectives:

- To duly account for climate risks in financial reporting.

ENGAGEMENT STRATEGY

Collaborative engagement through Climate Action 100+ with EOS as co-lead and the Paris-aligned accounting collaborative initiative where LGPS Central is a member. Use of voting to support ongoing engagement objectives.

MEASURES OF SUCCESS

The CA100+ Benchmark assessment gives BP a partial score across all indicators in scope of assessment. This shows a positive trajectory and BP is one of very few oil & gas companies that have been assessed as partially aligned with Paris on decarbonisation strategy and capital allocation. The Climate Action 100+ engagers continue regular dialogue with BP, including recently with BP's Chair and Head of Strategy. The Paris-aligned accounting investor initiative welcomed BP's announcement in June 2020 that the company will lower long-term oil and gas price assumptions used in financial statements to reflect a decarbonising world. Both engagements are constructive with the company welcoming investor dialogue. BP has faced recurring shareholder proposals from NGO "Follow This" calling on the introduction of Paris-aligned short, medium, and long-term targets for its Scope 1, 2 and 3 emissions. Such a proposal was put to the AGM on 12 May 2021 receiving 20.6% support. LGPS Central did not support the proposal in light of the existing 2019 shareholder proposal and the substantive progress the Company has made to align its strategy to net-zero. CA100+ engagers hold the view that remaining gaps can be closed through refining and better communicating, rather than reinventing, the current strategy.

CRH

GEOGRAPHY
Ireland

SECTOR
Cement

TPI ASSESSMENT

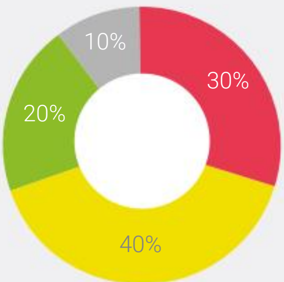
MANAGEMENT QUALITY

4

PARIS ALIGNMENT

Below 2 degrees

CA100+ BENCHMARK ASSESSMENT



- No, does not meet any criteria
- Partial, meets some criteria
- Yes, meets all criteria
- Not currently assessed

COMPANY CONTEXT

CRH is a global building materials company that supplies aggregates, lime, cement, concrete and asphalt for a wide range of construction applications. These include major public roads and infrastructure projects, commercial buildings and residential communities. The company has an ambition to achieve Net-Zero emissions by 2050 or sooner, and this is supported by a clearly defined long-term GHG reduction target, aligned with a 1.5°C scenario. In 2020, CRH was a recipient of an investor letter asking for Paris-aligned financial accounting. In terms of climate lobbying, the company's approach is mixed. Since 2018, its top-line messaging has become more positive, however CRH has not yet articulated clear, public positions on several strands of climate change policy and regulation.

ENGAGEMENT OBJECTIVES

1. Paris-aligned corporate climate lobbying
2. Paris-aligned financial accounting

ENGAGEMENT STRATEGY

Collaborative engagement by the CA100+ focus group. Ongoing investor engagement on Paris-aligned financial accounting. Use of voting to support ongoing engagement objectives.

MEASURES OF SUCCESS

Following engagement on the company's lobbying position, CRH have committed to put enhanced disclosures on the agenda of the Safety, Environmental and Social Responsibility committee. Engagers have suggested a vote on the 'Say on Climate' process in 2021, with a vote on the energy transition plan in 2022. While the AGM in April 2021 did not include a vote on the process of introducing a shareholder vote on the Company's energy transition plan, this remains a live topic with CA100+ engagers ahead of this year's AGM.

ExxonMobil

GEOGRAPHY
North America
SECTOR
Energy

TPI ASSESSMENT

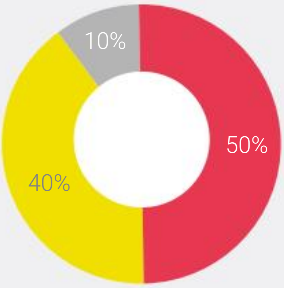
MANAGEMENT QUALITY

3

PARIS ALIGNMENT

Not Aligned

CA100+ BENCHMARK ASSESSMENT



- No, does not meet any criteria
- Partial, meets some criteria
- Yes, meets all criteria
- Not currently assessed

COMPANY CONTEXT

ExxonMobil is an American multinational oil & gas company that explores for, produces and distributes oil, gas and petroleum products worldwide. As of 2021, ExxonMobil is the world's largest publicly traded oil & gas company, with operations spanning six continents. The company has famously lagged the international majors, such as Shell, in aligning efforts to transition its operations toward cleaner energy alternatives. At present, ExxonMobil's GHG emissions remain among the highest compared to peers and the company's strategy remains "business as usual", with no change to its longer term outlook for fossil fuel demand. Renewables remain a small part of their overall energy mix. At the 2021 AGM, an activist hedge fund, Engine No.1, successfully replaced three of ExxonMobil's Board members, following concerns the company was failing to implement a viable climate change strategy. The independent board members received unlikely support from ExxonMobil's largest shareholders: BlackRock, Vanguard and State Street. This shareholder revolt is likely to push for greater climate change management at the company.

ENGAGEMENT OBJECTIVES

Achievement of the high-level objectives of the CA100+ initiative (see above box) including attainment of the specific indicators in the CA100+ Benchmark Framework.

ENGAGEMENT STRATEGY

1. Collaborative engagement via the CA100+ initiative
2. Direct engagement by Hermes EOS

MEASURES OF SUCCESS

We saw unique shareholder revolt at Exxon's 2021 AGM. An activist hedge fund, Engine No.1, successfully campaigned to replace three of ExxonMobil's Board members, following concerns the Company was failing to implement a viable climate change strategy. The independent board members received support from investors across the board, including LGPS Central, but also perhaps the more surprising support from some of ExxonMobil's largest shareholders – BlackRock, Vanguard and State Street – a significant signal also to other companies in the Oil & Gas sector that investors are increasingly expecting Paris-alignment. Engine No.1s slate of directors will bring the experience and skills needed to preserve long-term shareholder value through the transition to the low-carbon economy.

EOS at Federated Hermes, stewardship provider to LGPS Central, is actively engaging Exxon and will continue engagement with the company on their climate change strategy and achievement of net-zero by 2050.

Glencore

GEOGRAPHY
United Kingdom

SECTOR
Mining

TPI ASSESSMENT

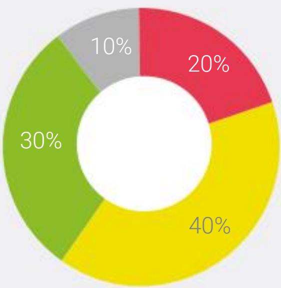
MANAGEMENT QUALITY

3

PARIS ALIGNMENT

Below 2 degrees

CA100+ BENCHMARK ASSESSMENT



- No, does not meet any criteria
- Partial, meets some criteria
- Yes, meets all criteria
- Not currently assessed

COMPANY CONTEXT

Glencore is a mining company that engages in the production, processing and marketing of metals and minerals, energy products and agricultural products. The firm serves the automotive, steel, power generation, battery manufacturing, and oil sectors. It operates through the following segments: Marketing, Industrial, and Corporate and Other. With a significant proportion of the company shares owned by company executives, Glencore has had a reputation for being willing to take more risk than rivals. The current CEO, Ivan Glasenberg, is stepping down mid-year 2021 to be replaced by Gary Nagle who at present runs Glencore's coal business. Mr Nagle will be the first CEO to be subject to a conventional pay arrangement, with the bulk of remuneration coming from short and long-term incentive schemes. Glencore will present its Climate Transition Plan to the 2021 AGM on the 29th April for an advisory vote, and as such the company is an early mover in a nascent European-market development to allow shareholders a "Say on Climate".

ENGAGEMENT OBJECTIVES

Achievement of the high-level objectives of the CA100+ initiative (see the box above) including attainment of the specific indicators in the CA100+ Benchmark Framework.

ENGAGEMENT STRATEGY

Engagement by LGPSC as co-lead for the CA100+ Glencore Focus group. Voting is used to actively support ongoing engagement and to voice concerns and/or escalate the engagement as needed. At the 2018 and 2019 AGMs, LGPSC voted against Board Director Peter Coates due to his history of advocacy that is contrary to Paris Agreement goals and not aligned with Glencore's stated climate ambition and strategy.

MEASURES OF SUCCESS

Glencore has made clear progress against CA100+ objectives by setting a net-zero by 2050 ambition across all scopes and a medium-term target of 50% GHG emissions reduction by 2035. The company provides disclosure in line with the TCFD guidance and the level of transparency on how Paris alignment will be achieved has increased. LGPSC voted in favour of Glencore's climate transition plan at the AGM end of April 2021 in order to support the company's ongoing work to transition in line with Paris. At the same time, LGPSC signalled some dissatisfaction with lack of board diversity, a poor health and safety record, and current gaps in terms of climate risk management, by voting against the re-election of the CEO.

We would like to see the company set more ambitious short-term targets, including a specific 2030 target, that marries up with the long-term ambition and ensures a steady decline in emissions in line with Paris. Furthermore, engagement will continue with the company to push for pro-active and transparent climate policy lobbying, including through industry associations, that is aligned with their own net-zero target. Glencore is inviting shareholders to vote on their progress against the Climate Transition Plan at the AGM in 2022, which provides an opportunity to voice these expectations.

Rio Tinto

GEOGRAPHY
Australia

SECTOR
Diversified Mining

TPI ASSESSMENT

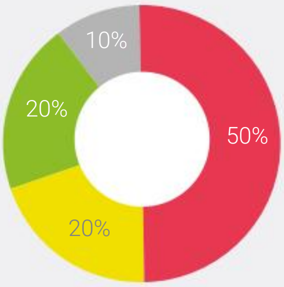
MANAGEMENT QUALITY

4

PARIS ALIGNMENT

Not Aligned

CA100+ BENCHMARK ASSESSMENT



- No, does not meet any criteria
- Partial, meets some criteria
- Yes, meets all criteria
- Not currently assessed

COMPANY CONTEXT

Rio Tinto is an Anglo-Australian multinational diversified mining company involved in the exploration, mining and processing of iron ore, aluminium, copper, diamonds, energy and minerals. The company has no exposure to coal and has set a Net Zero by 2050 ambition that includes emissions reduction targets for scope 1 and 2 emissions. Whilst this is a step in the right direction, investor concerns remain over the omission of Scope 3 emissions from the company's climate targets. Rio Tinto's new CEO, Jakob Stausholm, has signalled that the company will look to strengthen its climate agenda in response. Climate change aside, the company has also been embroiled in a scandal over the past year after being involved in the destruction of a 46,000-year old heritage site in Western Australia. Following large condemnation, Rio Tinto's former CEO, alongside two other directors and the Chair, stepped down.

ENGAGEMENT OBJECTIVES

Achievement of the high-level objectives of the CA100+ initiative (see above box) including attainment of the specific indicators in the CA100+ Benchmark Framework.

ENGAGEMENT STRATEGY

Engagement by CA100+

MEASURES OF SUCCESS

In 2020 following investor engagement, the company announced new 2030 targets: to reduce their absolute emissions by 15% and their emissions intensity by 30% relative to their 2018 baseline. The targets are consistent with a 45% reduction in absolute emissions, relative to 2010 levels, and the IPCC pathways to 1.5°C. The company has yet to announce Scope 3 emissions targets despite investor pressure. LGPSC will continue to push for these via CA100+ engagement. Further, in March 2021, Rio Tinto, for the first time, backed shareholder resolutions focusing on climate change. The first resolution called on Rio Tinto to publish independently verified short, medium, and long-term emissions reduction targets and to disclose performance against those targets. The second resolution requested that the company strengthen its annual review process for assessing industry and lobbying groups as well as suspend memberships if they are inconsistent with the Paris Agreement. In October 2021 Rio Tinto outlined further actions taken to strengthen its net zero by 2050 strategy. The company committed to cut its Scope 1 and 2 carbon emissions by 50% by 2030, with a 15% reduction target for 2025. LGPS Central, via CA100+, will continue to engage with the company on how it plans to improve its climate strategy.

Royal Dutch Shell

GEOGRAPHY
Netherlands

SECTOR
Energy

TPI ASSESSMENT

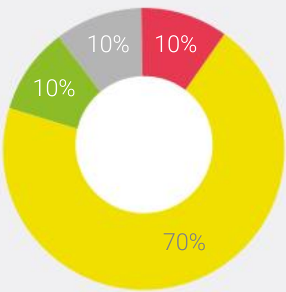
MANAGEMENT QUALITY

4

PARIS ALIGNMENT

Paris Pledges

CA100+ BENCHMARK ASSESSMENT



- No, does not meet any criteria
- Partial, meets some criteria
- Yes, meets all criteria
- Not currently assessed

COMPANY CONTEXT

Royal Dutch Shell (Shell) is a multinational oil and gas company. The firm, through its subsidiaries, explores, produces, and refines petroleum; produces fuels, chemicals, and lubricants; and owns and operates gasoline filling stations worldwide. In 2017, Royal Dutch Shell (Shell) announced a Net Carbon Footprint ambition covering both direct and indirect emissions. In April 2020, following engagement with industry stakeholders, Shell announced its ambition to reduce scope 1 and 2 emissions to net-zero by 2050 or sooner, and to reduce scope 3 emissions by 65% by 2050 (and 30% by 2035). For the remaining 35%, Shell aims to help its customers decarbonise through Carbon Capture and Storage (CCS) and other offsetting mechanisms.

ENGAGEMENT OBJECTIVES

1. To set and publish targets that are aligned with the goal of the Paris agreement
2. To fully reflect its net-zero ambition in its operational plans and budgets
3. To set a transparent strategy on achieving net-zero emissions by 2050; including valid assumptions for short, medium and long term targets.

ENGAGEMENT STRATEGY

Collaborative engagement by the CA100+ focus group and through the Paris-aligned financial accounting investor initiative. Use of voting to support ongoing engagement objectives.

MEASURES OF SUCCESS

In February 2021, Shell held its annual Strategy Day where the firm outlined its proposal to become a net-zero business by 2050 or sooner. Following engagement with CA 100+, Shell announced it would be putting forward an Energy Transition Plan for investors to vote on at their annual general meeting on 18 May 2021. This step makes Shell the first company in the energy sector to allow investors a 'Say on Climate'. The resolution on Shell's Energy Transition Plan passed with 88.7% support from shareholders at the AGM and will allow shareholders an annual advisory vote to express whether sufficient progress has been made in delivering the plan. Shell consider that their net-zero target aligns with a 1.5°C degree target and that scope 3 emission are included. However, there is concern around the lack of short- and medium targets that can back up the net-zero ambition, as well as an apparent reliance from Shell on customers cutting consumption as part of Scope 3 rather than Shell cutting production to align with Paris. Shell has also been unclear on their use of nature offsets and Carbon Capture and Storage technologies and has not provided sufficient detail on how this will be achieved. A shareholder proposal requesting Shell to set and publish targets for GHG emissions reduction in line with Paris was put to a vote at the AGM and received a healthy 30% support. LGPS Central voted against the Energy Transition Plan and for the shareholder proposal in order to signal that we are asking more also of leading companies in order to really see a step-change for the sector. Through the Paris-aligned accounting initiative, it is viewed as a critical concern that Shell explicitly state they have not included their net-zero commitment into their budgets and accounts.

Total

GEOGRAPHY
France

SECTOR
Energy

TPI ASSESSMENT

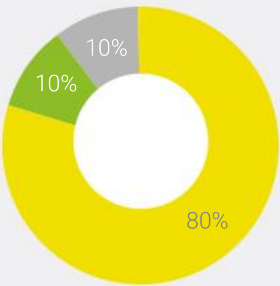
MANAGEMENT QUALITY

4*

PARIS ALIGNMENT

Paris Pledges

CA100+ BENCHMARK ASSESSMENT



- No, does not meet any criteria
- Partial, meets some criteria
- Yes, meets all criteria
- Not currently assessed

COMPANY CONTEXT

Total produces and markets fuels, natural gas and low-carbon electricity. It engages in the exploration and production of oil and gas, refining, petrochemicals and the distribution of energy in various forms to the end customer. In 2020, EOS were pleased to see Total demonstrate its relative resilience compared with peers and welcomed the important announcements made: intermediate targets on Scope 3 emissions, withdrawal from the American Petroleum Institute and an increased target for renewable energy generation. Total also made an explicit commitment to achieve Net Zero emissions in Europe by 2050, though it will only expand its pledge to other regions if they adopt the relevant regulations. EOS believe that Total should not only be led by regulation but be more ambitious and lead politicians.

ENGAGEMENT OBJECTIVES

Achievement of the high-level CA100+ Net Zero Benchmark Objectives

ENGAGEMENT STRATEGY

Engagement by CA100+, with Hermes EOS as the co-lead

MEASURES OF SUCCESS

At Total's 2021 AGM, EOS at Federated Hermes submitted a statement, on behalf of clients including LGPS Central, with questions which were officially supported by over 30 institutional investors. The letter had three key asks, namely 1) the alignment of Total's carbon reduction targets with a 1.5°C scenario, 2) more granular disclosure on capital expenditure to help demonstrate consistency with a net zero pathway, and 3) a request for the company to submit its net-zero transition plan to a vote by shareholders at least every three years, with an annual update on progress made in its implementation. Total publicly acknowledged receipt of the letter during the 2021 AGM and sent EOS a letter in response, which outlined several new elements. These included the geographical breakdown of scope 3 emissions and additional information on capex and production plans. EOS intend to continue engaging with Total on these matters as the CA100+ co-lead.

Important Information

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All information is prepared as of 09/03/2022.

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LGPS Central Limited

Nottinghamshire County Council

Report to Pension Fund Committee

28 April 2022

Agenda Item: 5

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

REVIEW OF PROGRESS ON THE CLIMATE ACTION PLAN

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 the second Climate Risk Report in October 2021. 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 21	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 November 21 PFC (Pension Fund Committee) 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	Review strategy in the autumn	LGPS Central to provide support	Climate Stewardship Plan monitoring update reported to Apr 22 PFC	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		This is the 6 monthly review.	Yes
4	Governance	Schedule one training session on general Responsible Investment matters and one climate-specific training per year	Jan & summer working parties	LGPS Central to provide training	LGPS Central provided a training on their net zero commitment at the January Working Party. A training on voting is planned for the summer.	Yes
5	Reporting	In the Annual Report include a summary of this 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 summary has been included in the Annual report for 21/22	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		The strategic asset allocation was discussed at the January WP meeting. Rebalancing and investment commitments are progressing.	Yes
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 are reporting on the Stewardship Plan as part of the Climate Risk reporting.	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. Allocation to infrastructure increased in the SAA.	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	Currently the work on the sustainable equities fund with LGPS Central is taking priority	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	2022	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 an annual stewardship plan	April 22	With the support of LGPS Central	Plan and engagement update to the April 22 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 our 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 to the April 22 PFC. Schroders challenged on their engagement and strategy at the March 22 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 to the April 22 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?
	Metrics and Targets					
19	Metrics	Repeat Carbon Risk Metrics analysis annually	Autumn 22		The 2021 Climate Risk Report presented to the November PFC.	Yes
20	Metrics	Repeat Climate Scenario Analysis every 2-3 years	Summer 22-23	Aim to include a 1.5°scenario.	Early discussions with LGPS Central.	Yes
21	Metrics	Report annually on progress on climate risk using the TCFD framework	Autumn 22		The 2021 Climate Risk Report presented to the November PFC.	Yes
22	Metrics	• 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 on carbon risk metrics relative to the benchmark	Ongoing	With the support of LGPS Central and investment managers	Schroders challenged on their engagement and strategy at the March 22 PFC.	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 21/03/2022)

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

Financial Comments (TMR 16/03/2022)

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

Nottinghamshire County Council

Report to Pension Fund Committee

28 April 2022

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

PENSION FUND TREASURY MANAGEMENT OUTTURN 2021/22

Purpose of the Report

1. To provide a review of the Pension Fund's treasury management activities for the year to 31 March 2022.

Background

2. Treasury management is defined as 'the management of the council's investments and cashflows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

3. Responsibility for the treasury management of the Pension Fund was delegated to the Pension Fund Committee at Full Council in February 2020. The purpose of this was to improve the clarity of the governance of the Pension Fund Committee, and to recognise the role of cash investments as part of the Fund's wider investment strategy. This report summarizes pension fund cash investment activity for the year 2021/22.

4. Responsibility for the implementation, scrutiny and monitoring of treasury management policies and practices is delegated to the *Treasury Management Group*, comprising:

    - the Service Director (Finance, Infrastructure & Improvement)
    - the Group Manager (Financial Services)
    - the Senior Accountant (Pensions & Treasury Management)
    - the Senior Accountant (Financial Strategy & Accounting)
    - the Investments Officer.

5. During 2021/22, cash investment activities were in accordance with the approved limits as set out in the Fund's Treasury Management Policy and Strategy. The main points from this report are:

    - All treasury management activities were carried out by authorised officers within the limits agreed by the Pension Fund Committee.

    - All investments were made to counterparties on the Fund's approved lending list.

- Over the course of the year the Fund earned 0.06% on its cash investments, exceeding the adjusted average Sterling Overnight Index Average (SONIA) rate for 2021/22 which was 0.02%.

Outturn Treasury Position

6. The Fund's Treasury Management strategy and associated policies and practices for 2021/22 were approved in March 2021 by Pension Fund Committee. The Service Director (Finance, Infrastructure & Improvement) complied with the strategy throughout the financial year.

7. The Fund manages its cash flows through lending activities on the wholesale money markets. The Fund has an approved list of counterparties for investment and aims to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.

8. The Fund's lending of temporary cash balances over the year is summarised in Table 1 below.

Table 1 **Lending of temporary cash balances**	**£m**
Outstanding 31 March 2021	209.8
Amount lent during 2021/22	702.4
Amount repaid during 2021/22	-766.9
Outstanding 31 March 2022	145.3

9. Table 2 below shows the various investment commitments that the Fund's cash balance is required to cover, over and above the required monthly pension payments. Although the total commitment as at 31 March greatly exceeds the £145.3m cash balance, the drawdowns for Private Equity and Infrastructure commitments are usually made over a number of years. It is therefore unlikely that 100% of this commitment will be called at short notice.

Table 2 **Commitment as at 31 March 2022**	**£m**	**When required**
Schroders cash balance	50.5	Immediately
Aberdeen Standard Investments	24.3	As required for property purchases
Private Equity commitments	90.9	Unpredictable
Infrastructure commitments	154.0	Unpredictable
Total	**319.7**	

10. As part of the Council's wider treasury management strategy the Fund uses the following prudential indicator, which relates to fixed-term investments made for periods in excess of 1 year, in order to manage liquidity risk:

Table 3 Treasury Management Prudential Indicator 2021/22	Approved maximum limit	Position at 31 March
Upper limit for principal sums invested for over 365 days as at 31 March	£20m or 15% or cash balance, which is higher	£0m

11. The Fund's average cash deposits over 2021/22 totaled £164.7m (compared with £229.0m in 2020/21). The return achieved on this balance over the course of the year was 0.06%, exceeding the adjusted (see paragraph 13) average SONIA rate over the same period, which was 0.02%.

12. Members should note that the Sterling Overnight Index Average (SONIA) replaced the previous London Interbank Offered Rate (LIBOR) and London Interbank Bid Rate (LIBID) as short-term interest rate benchmarks in December 2021. Unlike LIBOR and LIBID, which were based on theoretical borrowing costs, SONIA is based on actual market transaction data, and is thus perceived to be at lower risk of manipulation by market players.

13. It should also be noted that the Council has for the present retained the adjustment factor of '-0.125%' (universally applied in the derivation of LIBID from LIBOR) and has applied this to SONIA to derive its own returns benchmark, as being the closest match to LIBID. The retention or amendment of this adjustment will be considered at the next Treasury Management Group meeting.

14. Investment rates available in the market remain very low. Table 4 below shows the returns achieved by type of deposit. The Fund made no fixed-term deposits during 2021/22, as part of its strategy of keeping cash balances liquid and ready for investment in its main portfolios.

Table 4 Rate of return on deposits	Average Balance	Interest Earned	Average Return
	£m	£000	%
Fixed Term Investments	0.0	0.0	n/a
Call Accounts / Money Market Funds	164.7	97.4	0.06%

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

16. That Pension Fund Committee members approve the Outturn Statement as set out in the report.

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

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 28/03/2022)

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

Financial Comments (TMR 13/04/2022)

18. There are no financial implications arising directly from this report.

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.

- 2017 CIPFA Code of Practice on Treasury Management

Nottinghamshire County Council

Report to Pension Fund Committee

28 April 2022

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

PROXY VOTING

Purpose of the Report

1. The Fund is committed to supporting best practice in corporate governance and has adopted the *UK Stewardship Code* as recommended by the CIPFA *Principles for investment decision making and disclosure*. This report is to inform members of the voting of equity holdings in the final quarter of 2021 (calendar year) as part of this ongoing commitment.

Information

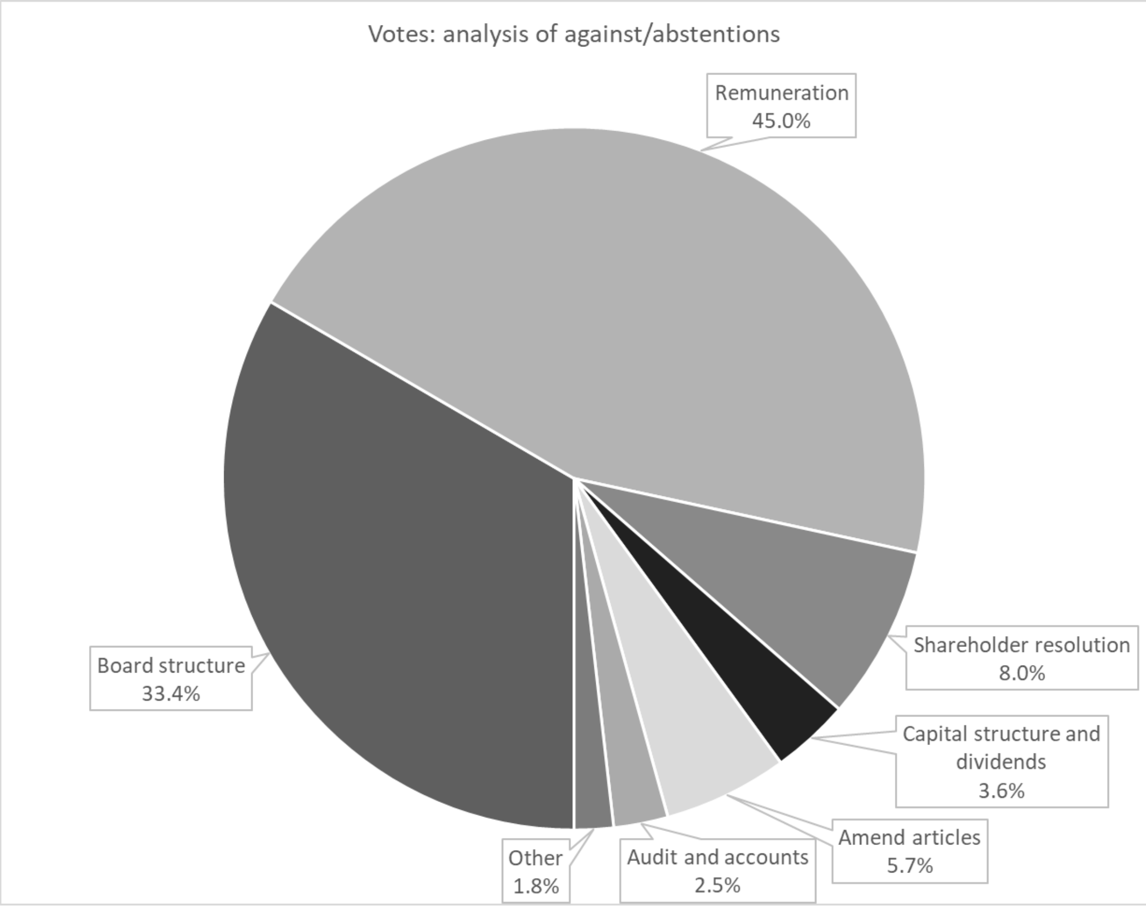
2. The *UK Stewardship Code*, issued in September 2012 by the Financial Reporting Council, and revised in 2020, highlights the responsibilities of institutional investors such as the Nottinghamshire Pension Fund. It defines stewardship as 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society'. Stewardship includes, among other things, having a clear policy on voting and on the disclosure of voting activity.

3. Alongside this the CIPFA *Principles for investment decision making and disclosure* require administering authorities to include a statement of their policy on responsible investment in the Investment Strategy Statement and report periodically on the discharge of such responsibilities. The Fund's statement on responsible investment states that 'the Fund continues to exercise its ownership rights by adopting a policy of actively voting stock it holds'.

4. The Fund retains responsibility for voting any directly held shares (rather than delegating this to investment managers) and votes the majority of its equity holdings in the UK, Europe, US and Japan. Since 1 January 2020 voting has been undertaken by Hermes EOS in line with the voting principles of LGPS Central.

5. Over the quarter to December 2021 Hermes EOS voted Nottinghamshire Pension Fund shares at 328 meetings (a total of 2,486 resolutions). Hermes opposed one or more resolutions at 173 meetings and voted with management by exception at 5 meetings. Hermes supported management on all resolutions at the remaining 150 meetings.

6. Hermes recommended voting against or abstaining on 473 resolutions over the last quarter. An analysis of the issues is shown below:



7. Most AGM votes relate to routine management items. Those relating to issues such as climate change will only form a small proportion of the total votes by number, even where they represent a substantial amount of engagement time and effort. An overview of the Hermes EOS voting activity and detailed analysis of the key issues during the quarter is published on the Fund website (http://www.nottspf.org.uk/about-the-fund/investments) and with the meeting papers on the Council Diary (http://www.nottinghamshire.gov.uk/dms/Meetings.aspx).

8. Further detail on specific issues raised at company AGMs can be found in LGPS Central's quarterly *Stewardship Update*, to which a link can be found on the Nottinghamshire Pension Fund 'Approach to Responsible Investment' webpage: https://www.nottspf.org.uk/about-the-fund/responsible-investment/

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That Nottinghamshire Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

Report Author:
Ciaran Guilfoyle
Investments Officer

For any enquiries about this report please contact Ciaran Guilfoyle

Constitutional Comments (KK 28/03/2022)

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

Financial Comments (TMR 28/03/2022)

11. There are no financial implications arising directly from this report.

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.

- Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q4 2021
- LGPS Central – Voting Principles (March 2019)
- Financial Reporting Council, *The UK Stewardship Code*, January 2020

Nottinghamshire County Council

Report to Pension Fund Committee

28 April 2022

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT

LOCAL AUTHORITY PENSION FUND FORUM BUSINESS MEETING

Purpose of the Report

1. To report on the Local Authority Pension Fund Forum (LAPFF) business meeting held via Zoom on 26 January 2022.

Information and Advice

2. LAPFF was formed in 1990 to provide an opportunity for the UK's local authority pension funds to discuss investment and shareholder engagement issues. In 2018 membership was also extended to cover pension fund pools. LAPFF membership currently stands at 87 funds and 7 pools (shown at Appendix A) with combined assets of over £350 billion. It is consequently able to exert significant influence over companies in which funds are invested.

3. LAPFF exists 'to assist Administering Authorities discharge their statutory responsibilities and promote the long-term investment interests of UK local authority pension funds. In particular, it seeks to maximise their influence as investors to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they hold an interest, commensurate with statutory regulations'. It also:

    a. provides a forum for information exchange and discussion about investment issues.
    b. facilitates the commissioning of research and policy analysis of issues in a more effective manner than individual Forum members could achieve.
    c. provides a forum for consultation on shareholder initiatives.
    d. provides a forum to consider issues of common interest to all pension fund boards, committees and their supporting administrative staff, as well as to other interested parties from national, local and regional governments.

4. The business meeting agenda included, among other things, an analysis of UN human rights concerns within the mining industry, and future engagement with water companies as they deal with climate change, increased risk of flooding and consequent risk of river pollution.

5. An update on LAPFF's engagement work in the previous quarter was presented. The headline engagement story in the quarter to December 2021 again related to mining and human rights problems, particularly at BHP and Rio Tinto.

6. Copies of the latest engagement reports are attached as background, but all LAPFF engagement reports can be found on the LAPFF website:

https://lapfforum.org/publications/category/quarterly-engagement-reports/

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of finance, the public sector equality duty, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATIONS

1. That Nottinghamshire Pension Fund Committee members consider whether there are any actions they require in relation to the issues contained within the report.

2. That the Pension Fund Committee expresses its support to LAPFF for the engagement and research work it undertakes, and continues its LAPFF membership accordingly.

Nigel Stevenson
Service Director – Finance, Infrastructure and Improvement

For any enquiries about this report please contact: Ciaran Guilfoyle

Constitutional Comments (KK 28/03/2022)

8. This is an updating information report and Nottinghamshire Pension Fund Committee is the correct body for considering that information and any further action which members may wish to take in light of that information.

Financial Comments (TMR 28/03/2022)

9. There are no direct financial implications arising from this report.

Background Papers

- LAPFF constitution
- LAPFF Quarterly Engagement Report October to December 2021

Membership of LAPFF as at December 2021

Funds

3. Avon Pension Fund
4. Barking and Dagenham (London Borough of)
5. Barnet LB
6. Bedfordshire Pension Fund
7. Bexley (London Borough of)
8. Berkshire Pension Fund
9. Brent (London Borough of)
10. Bromley (London Borough of)
11. Camden (London Borough of)
12. Cardiff and Vale of Glamorgan Pension Fund
13. Cambridgeshire Pension Fund
14. Cheshire Pension Fund
15. City and County of Swansea Pension Fund
16. City of London Corporation
17. Clwyd Pension Fund
18. Cornwall Pension Fund
19. Croydon LB
20. Cumbria Pension Scheme
21. Derbyshire County Council
22. Devon County Council
23. Dorset County Pension Fund
24. Durham Pension Fund
25. Dyfed Pension Fund
26. Ealing (London Borough of)
27. East Riding of Yorkshire Council
28. East Sussex Pension Fund
29. Enfield (London Borough of)
30. Environment Agency Pension Fund
31. Essex Pension Fund
32. Falkirk Council
33. Gloucestershire Pension Fund
34. Greater Gwent Fund
35. Greater Manchester Pension Fund
36. Greenwich Pension Fund
37. Gwynedd Pension Fund
38. Hackney (London Borough of)
39. Hammersmith and Fulham (London Borough of)
40. Haringey (London Borough of)
41. Harrow (London Borough of)
42. Havering LB
43. Hertfordshire
44. Hounslow (London Borough of)
45. Isle of Wight Pension Fund
46. Islington (London Borough of)
47. Kensington and Chelsea (Royal Borough of)
48. Kent Pension Fund
49. Kingston upon Thames Pension Fund
50. Lambeth (London Borough of)
51. Lancashire County Pension Fund
52. Leicestershire
53. Lewisham (London Borough of)

54. Lincolnshire County Council
55. London Pension Fund Authority
56. Lothian Pension Fund
57. Merseyside Pension Fund
58. Merton (London Borough of)
59. Newham (London Borough of)
60. Norfolk Pension Fund
61. North East Scotland Pension Fund
62. North Yorkshire County Council Pension Fund
63. Northamptonshire Pension Fund
64. Nottinghamshire County Council
65. Oxfordshire Pension Fund
66. Powys County Council Pension Fund
67. Redbridge (London Borough of)
68. Rhondda Cynon Taf
69. Shropshire Council
70. Somerset County Council
71. South Yorkshire Pensions Authority
72. Southwark (London Borough of)
73. Staffordshire Pension Fund
74. Strathclyde Pension Fund
75. Suffolk County Council Pension Fund
76. Surrey County Council
77. Sutton (London Borough of)
78. Teesside Pension Fund
79. Tower Hamlets (London Borough of)
80. Tyne and Wear Pension Fund
81. Waltham Forest (London Borough of)
82. Wandsworth (London Borough of)
83. Warwickshire Pension Fund
84. West Midlands Pension Fund
85. West Yorkshire Pension Fund
86. Westminster CC
87. Wiltshire Pension Fund
88. Worcestershire County Council

Pools

1) Border to Coast Pension Partnership
2) Brunel
3) LGPS Central
4) Local Pensions Partnership
5) London CIV
6) Northern Pool
7) Wales Pension Partnership

Nottinghamshire County Council

Report to Pension Fund Committee

28 April 2022

Agenda Item: 9

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE AND EMPLOYEES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme.

Information

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.

3. The attached work programme has been drafted in consultation with the Chair and Vice-Chairs, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason/s for Recommendation/s

6. To assist the committee in preparing its work programme.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the NHS Constitution (Public Health only), the public sector equality duty, safeguarding of children and vulnerable adults, service users,

sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required

RECOMMENDATION/S

That the Committee considers whether any amendments are required to the Work Programme.

Marjorie Toward
Customers, Governance and Employees

For any enquiries about this report please contact:
Jo Toomey, Advanced Democratic Services Officer
E-mail: jo.toomey@nottscc.gov.uk
Tel: 0115 977 4506

Constitutional Comments (HD)

8. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

9. There are no direct financial implications arising from the contents of this report. Any future reports to Committee on operational activities and officer working groups, will contain relevant financial information and comments.

Background Papers

None

Electoral Division(s) and Member(s) Affected

All

PENSION FUND COMMITTEE – WORK PROGRAMME (updated 29 March 2022)

Report Title	Brief summary of agenda item	Report Author
9 June 2022		
Fund Valuation & Performance – Qtr 4	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Managers Presentations	Presentations by Fund Managers (exempt)	LGPS Central and guest manager
14 July 2022		
Proxy Voting	Summary of voting activity	Ciaran Guilfoyle
LAPFF Business Meeting	Report from LAPFF Business Meeting	Ciaran Guilfoyle
Update on LGPS Central Ltd	Presentation from LGPS Central Ltd on developments in pooling and in the company	Keith Palframan
Annual Administration Performance Report		Jon Clewes
Pension Administration and transformation update report		Sarah Stevenson
September 2022		
Pensions Administration – Tracing Service		Sarah Stevenson / Jon Clewes
Fund Valuation & Performance – Qtr 1	Summary of quarterly performance	Tamsin Rabbitts
Independent Adviser's Report	Independent Adviser's review of performance	Independent Adviser
Fund Valuation & Performance	Detailed review of quarterly performance (exempt)	Tamsin Rabbitts
Managers Presentations	Presentations by Fund Managers (exempt)	

To be placed		
Monitoring of the Fund Membership Death Process	Update report	Jon Clewes
Review of Work of the Pension Fund Committee and Pension Board	*Review to be conducted during Autumn 2022 with the aim of an outcome by the end of the year, subject to any impacts which may need to be addressed as a result of Government response to the Good Governance in the LGPS proposals*	Marjorie Toward
Good governance project		Jon Clewes / Keith Palframan
McCloud Judgment update report		Jon Clewes
Results of GMP reconciliation		Jon Clewes
Pension Fund Review of Cyber Security – Pension Regulator Requirement		Sarah Stevenson / Jon Clewes