

# 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 specifically 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<sup>1</sup>, in which our pooling company LGPS Central is an

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<sup>1</sup> 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 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	<ul style="list-style-type: none"> <li>Deliver Paris-aligned business strategy</li> </ul>
BP	Energy	<ul style="list-style-type: none"> <li>Deliver Paris-aligned business strategy</li> </ul>
CRH	Materials	<ul style="list-style-type: none"> <li>Deliver Paris-aligned business strategy</li> </ul>
ExxonMobil	Energy	<ul style="list-style-type: none"> <li>Improved carbon risk management quality (measured by TPI score)</li> <li>Plans to decarbonise the business model in line with the Paris agreement</li> <li>Improved shareholder relations</li> </ul>
Glencore	Materials	<ul style="list-style-type: none"> <li>Lobbying and trade associations</li> <li>Climate Transition Plan</li> </ul>
Rio Tinto	Diversified Mining	<ul style="list-style-type: none"> <li>Paris-aligned business model including scope 3 emissions</li> <li>Lobbying and trade associations</li> </ul>
Shell	Energy	<ul style="list-style-type: none"> <li>Capital allocation aligned with the Paris Agreement</li> <li>Climate Transition Plan</li> </ul>
Total	Energy	<ul style="list-style-type: none"> <li>Alignment of Net Carbon footprint with the Paris Agreement</li> </ul>

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

#### **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.

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