



**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 Climate Risk Report was reported to the Nottinghamshire County Council Pension Fund in October 2020, with a number of recommendations which have become the Fund's Climate Action Plan. The Committee reviewed progress in April 2021.
3. In addition to the actions within this report a Climate Risk Workshop took place in September 2021. This was a full day event to enable Members to review the rationale for the Pension Fund's current policy of engagement and ESG integration and consider possible additional options. During the day there were presentations to clarify the responsibilities of all the parties involved in looking after the Pension Fund and to provide an appreciation of the legal and regulatory risks and requirements. With the support of Patrick O'Hara from LGPS Central, who presented on a range of approaches, Members discussed various strategies for managing climate risk.
4. The following table shows the progress which has been made against the Climate Action Plan, whether it is in accordance with the original plan, and whether the action is closed or ongoing.
5. A new Climate Action Plan will be proposed resulting from the Climate Risk Report including the ongoing items on the Action Plan and some additional actions suggested by this year's Climate Risk analysis.

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Governance						
1	Governance	Publish a TCFD (Taskforce for Climate-related Financial Disclosure) Report. This will incorporate the key elements of the Carbon Risk Report.	December 20	LGPS Central to provide support	Published at the December 20 PFC (Pension Fund Committee) meeting	Yes	Ongoing annually
2	Policies	Develop a Climate Strategy. This should be consistent with the TCFD recommendations and include a Climate Stewardship Plan, monitored regularly by the Nottinghamshire Pension Fund Committee	March 21	LGPS Central to provide support	Published at the March 21 PFC meeting	Yes	Review annually
3	Governance	Schedule agenda time at Nottinghamshire Pension Fund committee meetings at least annually for discussion of progress on climate strategy <i>Additionally report 6 monthly on progress for the first two years of the Action Plan.</i>	An annual review will take place to coincide with the annual update of metrics		Climate related issues have been discussed at every meeting. Progress on the action plan was reviewed after 6 months. This is the annual review.	Yes	Ongoing
4	Governance	Schedule one training session on general Responsible Investment matters and one climate-specific training per year	6 months	LGPS Central to provide training <i>Suggest a training at Jan WP (working party) and one at the summer WP</i>	LGPS Central provided a training on climate and climate science at the January Working Party and on Responsible Investment at the Working Party in August.	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Governance						
5	Policies	<p>Update policies to reflect climate risk e.g. consider:-</p> <ul style="list-style-type: none"> communications on climate risk into communications strategy make clear the roles of key governance committees, especially the Pension Fund Committee, in approving and monitoring the Fund's approach to responsible investment and climate change in the Investment Strategy Statement (ISS). Update the Governance Policy Statement to explain how climate risks are governed Review as part of the Funding Strategy Statement (FSS) the extent to which climate risks could affect other risks noted in the FSS Update the Fund's "Approach to Responsible Investment" in the ISS to include the six responsible investment beliefs. Consider incorporating the Fund's "Approach to Environmental Risk within this disclosure" 	July 21	At the next regular review	All strategies were reviewed over the summer and updated to reflect climate risk. The strategies were approved by Pension Fund Committee in September.	Yes	Strategies will continue to be subject to annual review, but as they now reflect climate risk this action is closed.
6	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.	Oct 21	LGPS Central to provide support with this	The summary has been drafted and will be included in the Annual report	Yes	Ongoing annually

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Strategy						
7	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	<i>Review progress at Asset allocation WP</i>	The strategic asset allocation was discussed at the January WP meeting. A decision to adopt the SAA (Strategic Asset Allocation) as the target for 21/22 was taken at the March 21 PFC meeting. Further progress will be made over the next twelve months.	Yes	Ongoing
8	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 <i>Take into account as review of asset allocation</i>	Agreed as a standard agenda item for the January WP meetings	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Strategy						
9	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	The annual stewardship plan was discussed at the April 21 PFC and implemented over 21/22. LGPS Central are reporting on the Stewardship Plan as part of the Climate Risk reporting.	Yes	Ongoing
10	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)	Will be reviewed as part of the annual review of asset allocation	Initial and current allocations to be explored first.	A 5% allocation to sustainable equities was agreed at the March 21 PFC. LGPS Central are developing a fund for this purpose. March 21 PFC also agreed the 21/22 target for infrastructure would be the full 8% in the SAA.	Yes	Ongoing
11	Asset Allocation	Explore potential investments in sustainable private equity, green bonds and low-carbon passive equities.	Ongoing	Longer term consideration <i>Take into account as review of asset allocation</i>	Currently the work on developing a sustainable equities fund with LGPS Central is taking priority	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Strategy						
12	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 <i>Part of stewardship plan</i>	The Fund's Climate Strategy explicitly gives "strong support" to the Paris Agreement. The Climate Stewardship Plan will draw 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	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
	Risk Management						
13	Company Stewardship	Create an annual stewardship plan	April 21	With the support of LGPS Central	Completed at the April 21 PFC	Yes	Ongoing annually

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
Risk Management							
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	The annual stewardship plan was agreed at the April 21 PFC and will be implemented over 21/22	Yes	Ongoing
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	The annual stewardship plan was agreed at the April 21 PFC and will be implemented over 21/22	Yes	Ongoing
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	The annual stewardship plan was agreed at the April 21 PFC and will be implemented over 21/22	Yes	Ongoing
17	Company Stewardship	Report progress on the Climate Stewardship Plan to the Nottinghamshire Pension Fund Committee on an annual basis.	July 22	With the support of LGPS Central	Progress is being reported to the November PFC	Yes	Ongoing
17a	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	The annual stewardship plan was agreed at the April 21 PFC and will be implemented over 21/22	Yes	Ongoing

Ref	Category	Action	Timing	Notes	Progress since October	In line with original plan?	Closed or ongoing
Metrics and Targets							
18	Metrics	Repeat Carbon Risk Metrics analysis annually	Timescale dependent on LGPS Central availability	Timescale dependent on LGPS Central availability	The 2021 Climate Risk Report is being presented to the November PFC.	Yes	Ongoing
19	Metrics	Repeat Climate Scenario Analysis every 2-3 years	Summer 22-23		Not yet due	Yes	Ongoing
20	Metrics	Report annually on progress on climate risk using the TCFD framework	Autumn 21	Timescale dependent on LGPS Central availability	The 2021 Climate Risk Report is being presented to the November PFC.	Yes	Ongoing

Other work

6. 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. While this work is ongoing the Pension Fund will continue to implement its long term Strategic Asset allocation. This includes an increasing allocation to infrastructure investments, a significant proportion of which are in clean energy, and a gradual reduction in equity investments. Within our equity investments we are looking at a number of low carbon and sustainable funds. Over time our exposure to fossil fuels is likely to reduce as a result of these asset allocation and diversification decisions.
7. The Pension Fund will continue to monitor and manage all financially material risks to which it is exposed.

Other Options Considered

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

Reason/s for Recommendation/s

10. 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

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 recognise 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 07/10/2021)

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

Financial Comments (TMR 05/10/2021)

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