

REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT**TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT****Purpose of the Report**

1. To present the Task Force on Climate-related Financial Disclosures (TCFD) report.

Information

2. As described in February, in order to enable the Pension Fund to identify its exposure and understand its financial risk arising from climate change, LGPS Central was commissioned to produce some climate risk analysis.
3. This Climate Risk Report was issued to the Nottinghamshire Pension Fund alongside a training session by LGPS Central to communicate the recommendations of the Climate Risk Report.
4. Appendix A presents the TCFD report which contains the key elements of the Climate Risk report.
5. The purpose of the TCFD report is to share the findings of the climate risk analysis which was performed to support the Pension Fund in its understanding of the risks and implications of climate change. The analysis is based on the available data. As this is dependent on what companies currently publish, it should be noted that this data is incomplete. The model requires a number of assumptions and the output of the model should be interpreted in this context. Data is improving, partly due to pressure from engaged shareholders such as ourselves, but the sensitivity to assumptions needs to be appreciated in interpreting the results of this work.
6. Despite this caveat, as can be seen in the TCFD report, the analysis is supportive of the Fund's current investment strategy in three ways:-
 - it demonstrates that minimised global warming is of benefit to the Pension Fund financially which means the Fund's financial interests are aligned with global environmental interests.

- It shows that the March 19 equity holdings were already below the market cap benchmark in terms of carbon footprint and weight of fossil fuel reserves, which indicates that the fund has been considering and managing climate risks.
- And it shows that as the Fund progresses towards the long term strategic asset allocation these positions will further improve.

Ongoing work

7. 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.
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 a TCFD report. However, to not publish these results of the climate risk analysis would be inconsistent with the Pension Fund's commitment to transparency.

Reason/s for Recommendation/s

10. Members and officers need to better understand and control the climate related financial risks in the Pension Fund investments.

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

That members consider whether there are any actions they require in relation to the issues contained within the report.

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 26/11/2020)

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

Financial Comments (TMR 16/11/2020)

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