



Nottinghamshire Pension Fund

LGPS Central Limited Update

6 July 2023



Interim CEO
John Burns



Agenda

SECTION 1: SHAREHOLDER UPDATE

- LGPS pooling background
- LGPS Central company update and pooling progress

SECTION 2: CLIENT UPDATE

- Investment Overview
- New Funds under Development
- Net Zero and Climate Risk



LGPS Central

Shareholder Update



What is Pooling?

May 2013: National Association of Pension Funds' local authority conference, Local Government Minister Brandon Lewis said:

"...the clear message from me this morning is that I am not wedded to the existing number of 89 funds in England and Wales. If it takes a smaller number of funds to improve the efficiency and cost-effectiveness of the Scheme, I shall not shy away from pursuing that goal."



November 2015: Government produce set of principles against which authorities were invited to bring forward proposals for half a dozen "asset pools". The principles included the following objectives:

- **Attain scale** – with £25 billion set as a target size for pools
- **Make savings** – no target was set but the word "substantial" gave an insight into the expectations
- **Include good governance**
- **Do more infrastructure** – expressed as an objective to develop the capacity and capability to increase investment but without a target



February 2016: Submissions were received by government for eight developing pools.

These groupings were a mixture of natural allies, geographical neighbours and/or the strategically like-minded.



3 April 2018: LGPS Central Limited opens for business.

Source: LAPF

Our Partner Funds:



Derbyshire Pension Fund



Staffordshire Pension Fund
Local Government Pension Scheme



West Midlands Pension Fund



NOTTINGHAMSHIRE PENSION FUND



SHROPSHIRE COUNTY PENSION FUND

Worcestershire Pension Fund



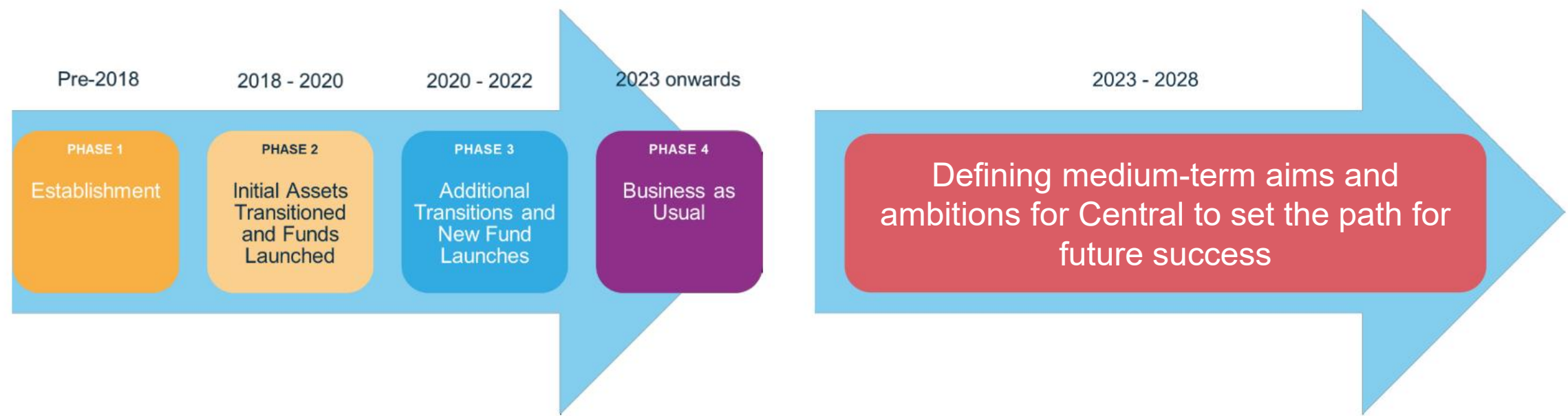
Key Focus Areas continue through 2023/24



The LGPS Central Development Journey



IMPORTANT TO DEFINE THE NEXT STAGE OF THE JOURNEY



Investment Overview

NPF Investments in LGPS Central Funds



ASSETS UNDER MANAGEMENT 31 APRIL 2023

Asset Class	Fund	2023 NPF's Assets	2023 Total Fund AUM	2023 NPF % of Fund
Passive Global Equity	LGPS Central Limited Global Ex-UK Passive Equity Fund	£13m	£2821m	0.50%
Active Global Equity	LGPS Central Limited Global Equity Active Multi Manager Fund	£29m	£3024m	0.95%
Active Global Equity	LGPS Central Limited Emerging Markets Equity Active Multi Manager Fund	£127m	£767m	16.56%
Active Fixed Income	LGPS Central Limited Global Active Investment Grade Corporate Bond Multi Manager Fund	£298m	£1,645m	18.12%
Active Fixed Income	LGPS Central Limited Global Active Multi-Asset Credit Multi Manager Fund	£111m	£745m	14.90%
Active Fixed Income	LGPS Central Limited Global Active Emerging Market Bond Multi Manager Fund	£33m	£570m	57.90%
Active Discretionary Mandate	LGPS Central Nottinghamshire Gilts Mandate	£132m	£132m	100.00%
Private Equity	LGPS Central PE Co-Investment Partnership 2018 LP	£5m	£107m	4.70%
Private Equity	LGPS Central PE Primary Partnership 2018 LP	£10m	£150m	6.70%
Infrastructure	LGPS Central Value Add/ Opportunistic Infrastructure Partnership LP	£50m	£167m	29.94%
Infrastructure	LGPS Central Core/Core Plus Infrastructure Partnership LP	£125m	£724m	17.27%

Over £900m
assets invested
with LGPSC

¹ Commitment Amount

Product Development @ LGPS Central



FOCUS ON FURTHER PRIVATE MARKET VINTAGES/OPPORTUNITIES

Property



Direct Property
Q1 2023 Launched

Indirect Property
Investment case in progress

Private equity



2023 vintage implementation
Began April 2023

Launch expected
August 2023

Infrastructure



Opportunities
available throughout
the year

Private credit



Further strategy
proposals this year

Climate Risk Monitoring Service Update

CLIMATE RISK MONITORING SERVICE UPDATE

- Continuing delivery of **Climate Risk Reports**.
- Revised Mercer **Climate Scenario Analysis** incorporated into 2022 reports and enhanced metrics.
- TCFD Reporting, Stewardship Plan, Climate Change Strategy and Climate Change Training.
- **New TCFD regulations** entering into force Q4 2024, following consultation period which ended November 2022. LGPSC is supportive of the new proposals.
- Further review of **Climate Risk Reports** to incorporate potential requirements from Department for Levelling Up, Housing and Communities (Consultation Closed 24th November 2022) and other enhancements.



Responsible Investment & Engagement

RESPONSIBLE INVESTMENT & ENGAGEMENT REMAINS A HIGH PRIORITY

- Maintained signatory status to FRC's Stewardship Code
- Engaged with 2,809 companies over the year
- Higher expectations placed on companies' climate transition plans
- Pursued engagements relating to all four agreed stewardship themes
 - ✓ Tax
 - ✓ Plastic Pollution
 - ✓ Climate Change
 - ✓ Human Rights in Tech
- Continuing delivery of Climate Risk Reports
- Reports enhanced in:
 - ✓ Climate Scenario Analysis
 - ✓ Enhanced metrics
- Further delivery of:
 - ✓ TCFD Reporting
 - ✓ Stewardship Plans
 - ✓ Climate Change Strategy
 - ✓ Climate Change Training
- Led responses to new TCFD consultation



Responsible Investment & Engagement



REMAINING AT THE CORE OF HOW WE INVEST

100% integration of responsible investment into our investment approach

Quality information and insights to enable more informed decision making

Implementing strategy for a practical pathway to Net Zero

Continuously evolving engagement efforts and demonstrating impact

Improving reporting around Climate Risk Reports and TCFD

Anticipating ever-growing scrutiny of client activity in this area

Net Zero Strategy



THE CENTRAL POOL APPROACH

PORTFOLIO EMISSION PERFORMANCE

Climate targets and data

Climate targets	2019	2025	2030	2035	2040	2045	2050
Financed emissions	94,885,921		47,442,960	37,954,368	18,977,184	9,488,592	-
% change			-50%	-60%	-80%	-90%	-100%
Financed emissions / £m invested	31.31		16	13	9	3	-
% change			-50%	-60%	-70%	-90%	-100%

Emissions metrics	2016	2017	2018	2019	2020
Units					
Financed emissions - scope 1 and 2	48,913,182	64,054,907	63,270,688	94,885,921	99,330,476
% change against 2019					5%
Financed emissions per AUM	17.15	22.01	21.30	31.31	32.12
Weighted average carbon intensity (WACI) CO2e / \$m assets	73.22	75.49	66.22	73.41	69.98
Data availability - number of holdings				39	
% reported emissions - scope 1				71%	
% reported emissions - scope 2				97%	

Relative performance

Financed emissions - scope 1 and 2

Chart Area

2016 2021 2026 2031 2036 2041 2046

Portfolio - Portfolio target pathway

Sector/regional allocation

2018

Financed emissions - scope 1 and 2

Utilities, Materials, Energy, Consumer discretionary, Consumer staples, Communication services, Industrials, Health care, Financials, Information technology, Real Estate

PORTFOLIO NET-ZERO ALIGNMENT

Forward-looking targets and metrics

Climate net-zero alignment targets	2019	2025	2030	2035	2040	2045	2050
Portfolio coverage target			50%	70%	100%	100%	100%
Engagement threshold target		70%	100%	100%	100%	100%	100%

Forward-looking metrics	2016	2017	2018	2019	2020
Portfolio coverage - (at NZ, aligned, aligning)	56.25%	55.36%	53.69%	54.54%	54.88%
Engagement threshold - (NZ, aligned or engaged)	92.82%	93.27%	93.66%	94.18%	94.32%
Financed emissions covered by engagements on Net Zero	1,044	1,048	1,124	1,164	1,202
Financed emissions covered by engagement of other issues	60,353	83,776	96,100	108,394	98,016
Engagements on Net Zero	5	5	5	5	5
Votes on climate resolution	3	3	3	3	3

Relative performance

2016 2017 2018 2019 2020

Portfolio coverage - (at NZ, aligned, aligning)

Company alignment

2018

Portfolio coverage - (at NZ, aligned, aligning)

No alignment, Aligned, Aligned, Net Zero

- LGPSC Net Zero commitment to transition investment portfolio to Net Zero by 2050.
- Development of LGPSC Net Zero dashboard to track climate performance of ACS funds.
- Metrics and Milestones.
- Net Zero incorporated in manager selection and monitoring.
- Net Zero Stewardship Plan.

DISCLAIMER:



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Share Class and Benchmark performance displayed in GBP.

Performance is shown on a Net Asset Value (NAV) basis, with gross income reinvested where applicable.

All information is prepared as of **26 June 2023**

This document is intended for **PROFESSIONAL CLIENTS** only.

“One Central team, working in partnership to invest with purpose and deliver superior returns”

