

# **Nottinghamshire Pension Fund Committee**

**Thursday, 22 April 2021 at 10:30**

**Virtual meeting**

---

## **AGENDA**

- |   |  |         |
|---|--|---------|
| 1 | Minutes of the last meeting 11 March 2021  | 1 - 6   |
| 2 | Apologies for Absence  |         |
| 3 | Declarations of Interests by Members and Officers:- (see note below)<br>(a) Disclosable Pecuniary Interests<br>(b) Private Interests (pecuniary and non-pecuniary) |         |
| 4 | Proxy Voting   | 7 - 10  |
| 5 | LAPFF Business Meeting   | 11 - 16 |
| 6 | Pension Fund Treasury Management Outturn 2020-21   | 17 - 20 |
| 7 | Climate Action Plan Progress Report  | 21 - 30 |
| 8 | Climate Stewardship Plan Report  | 31 - 38 |
| 9 | Work Programme   | 39 - 42 |

## **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 Peter Barker (Tel. 0115 977 4416) 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>

## minutes

Meeting NOTTINGHAMSHIRE PENSION FUND COMMITTEE  
VIRTUAL MEETING

Date Thursday 11 March 2021 at 10.30 am

### **membership**

Persons absent are marked with 'A'

### **COUNCILLORS**

Eric Kerry (Chairman)  
Stephen Garner (Vice Chairman)

Reg Adair  
Chris Barnfather  
Tom Hollis  
Sheila Place

Mike Pringle  
Francis Purdue-Horan  
Parry Tsimbiridis

Non-voting members:

### **Nottingham City Council**

Councillor Graham Chapman  
A - Councillor Anne Peach  
A - Councillor Sam Webster

### **Nottinghamshire Local Authorities' Association**

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

### **Trades Unions**

A - Mr A Woodward  
Mr C King

### **Scheduled Bodies**

Mrs Sue Reader

### **Pensioners' Representatives**

Mr T Needham  
Vacancy

## **Independent Adviser**

William Bourne

## **Officers in Attendance**

|                  |                                |
|------------------|--------------------------------|
| Pete Barker      | (Chief Executive's Department) |
| Jon Clewes       | (Chief Executive's Department) |
| Ciaran Guilfoyle | (Chief Executive's Department) |
| Keith Palframan  | (Chief Executive's Department) |
| Tamsin Rabbitts  | (Chief Executive's Department) |
| Nigel Stevenson  | (Chief Executive's Department) |
| Sarah Stevenson  | (Chief Executive's Department) |

### **1. MINUTES**

The minutes of the last meeting held on 10 December 2020, having been circulated to all Members, were taken as read and were confirmed and signed by the Chair.

### **2. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Lloyd, Councillor Peach, Councillor Webster and Mr Woodward.

### **3. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS**

There were no declarations of interest.

### **4. PENSION ADMINISTRATION SYSTEM UPDATE**

Mrs Stevenson introduced the report and on a motion by the Chairman, duly seconded it was:

#### **RESOLVED 2021/001**

That the awarding of the contract to Civica be endorsed.

### **5. TREASURY MANAGEMENT MID-YEAR REPORT 2020-21**

Mr Guilfoyle introduced the report and on a motion by the chairman, duly seconded it was:

#### **RESOLVED 2021/002**

That the actions of the Section 51 Officer be approved.

### **6. TREASURY MANAGEMENT STRATEGY STATEMENT 2021-22**

Mr Guilfoyle introduced the report and on a motion by the Chairman, duly seconded it was:-

## **RESOLVED 2021/003**

That the Strategy Statement be approved.

## **7. CONFERENCES AND TRAINING**

Mrs Rabbitts introduced the report and on a motion by the Chairman, duly seconded it was:-

## **RESOLVED 2021/004**

That attendance at conferences and training as set out in the report be approved.

## **8. WORKING PARTY**

Mrs Rabbitts introduced the report and on a motion by the Chairman, duly seconded it was:-

## **RESOLVED 2021/005**

That Committee:

- 1) Move to the long-term Strategic Asset Allocation (SAA)
- 2) Make a 5% allocation to sustainable mandate when available
- 3) Set a standard agenda item at the annual SAA review to monitor climate change science developments
- 4) Add consideration of a reduction in the UK listed equity allocations to 35% to the Work Plan for the July Committee meeting.
- 5) Add 4% small cap allocation to Schroders benchmark and consolidate small cap under this mandate
- 6) Formalise a 65/35 active/passive principle for listed equities
- 7) Increase SAA Private Equity allocation to 6.5%
- 8) Change the liabilities benchmark to the actuarial return target

## **9. CLIMATE STRATEGY REPORT**

Following Mrs Rabbitts' introduction to the report the Chair proposed an alteration, duly seconded by the Vice Chair, to add the following statement to Section 5.3 of the Climate Strategy:

"For clarity, divestment is an option as part of our long-term investment strategy"

During the debate, Councillor Hollis moved an amendment, seconded by Councillor Pringle, to add a second Recommendation to read:

"That members use the Climate Strategy as a means to consider divestment from fossil fuels"

At this point the meeting was adjourned to allow members to consider the amendment.

In response to the amendment, Councillor Barnfather moved that the wording of the proposed 2<sup>nd</sup> Recommendation be added to Section 5.3 of the Climate Strategy as a means of enshrining it within the body of the document, instead of it only being captured within the minutes of the meeting.

Councillor Hollis' amendment was then put to the vote and was not carried.

The proposal moved by Councillor Barnfather was seconded by Councillor Adair and was accepted by Councillor Kerry. This therefore became an alteration to the recommendation which did not require a vote.

The altered substantive motion was then put to the vote and it was:

**RESOLVED 2021/006**

That the Nottinghamshire County Council Pension Fund Climate Strategy be approved with the addition of the following statement to Section 5.3:

"That members use the Climate Strategy as a means to consider divestment from fossil fuels"

**10. WORK PROGRAMME**

Mrs Rabbitts introduced the report and on a motion by the Chairman, duly seconded it was:-

**RESOLVED 2021/007**

- 1) That a report considering a reduction in the UK listed equity allocations to 35% be brought to the July Committee meeting.
- 2) That greater detail on performance reporting be included in the regular reports to Committee.

**11. FUND VALUATION AND PERFORMANCE**

Mrs Rabbitts introduced the report and on a motion by the Chairman, duly seconded it was:-

**RESOLVED 2021/008**

That no further actions are required as a direct result of the contents of the report.

**12. INDEPENDENT ADVISER'S REPORT**

Mr Bourne introduced the report and on a motion by the Chairman, duly seconded it was:-

**RESOLVED 2021/009**

That no further actions are required as a direct result of the contents of the report.

### **13. EXCLUSION OF THE PUBLIC**

On a motion by the Chairman, duly seconded it was:-

#### **RESOLVED 2021/010**

That the public be excluded for the remainder of the meeting on the grounds that the discussions are 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 outweighs the public interest in disclosing the information.

And that Mr William Bourne, the Independent Adviser, be permitted to stay in the meeting during consideration of the exempt items.

### **14. PENSION ADMINISTRATION SYSTEM UPDATE**

Mrs Stevenson introduced the report and on a motion by the chairman, duly seconded it was:

#### **RESOLVED 2021/011**

That no further actions are required as a direct result of the contents of the report.

### **15. FUND VALUATION AND PERFORMANCE**

Mrs Rabbitts introduced the report and on a motion by the chairman, duly seconded it was:

#### **RESOLVED 2021/012**

That no further actions are required as a direct result of the contents of the report.

### **16. FUND MANAGERS' PRESENTATIONS**

This was the last meeting for Mr Geoff Day of Schroders who was retiring and on behalf of the Committee the Chair thanked Mr Day for his support over the years.

On a motion by the chairman, duly seconded it was:

#### **RESOLVED 2021/013**

That no further actions are required as a direct result of the contents of the presentations made by Aberdeen Standard Investments and Schroders Investment Management.

The meeting concluded at 2.03pm

**CHAIR**





**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 third quarter of 2020 (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 September 2020 Hermes EOS voted Nottinghamshire Pension Fund shares at 329 meetings (a total of 3,991 resolutions). Hermes opposed one or more resolutions at 160 meetings, and voted with management by exception at 23 meetings and abstaining at one meeting. Hermes supported management on all resolutions at the remaining 145 meetings.
6. Over the quarter to December Hermes EOS voted Nottinghamshire Pension Fund shares at 335 meetings (2,465 resolutions). Hermes opposed one or more resolutions at 162

meetings, and voted with management by exception at 6 meetings and abstaining at one meeting. Hermes supported management on all resolutions at the remaining 166 meetings.

7. An overview of the Hermes EOS voting activity and detailed analysis of the key issues during the quarter will be 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>

## **Statutory and Policy Implications**

8. 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**

9. 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 08/04/2021)**

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

### **Financial Comments (TMR 08/04/2021)**

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, Q3 2020
- Hermes EOS – Nottinghamshire Pension Fund, Voting Report, Q4 2020
- LGPS Central – Voting Principles (March 2019)
- Financial Reporting Council, *The UK Stewardship Code*, January 2020





**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 meetings held via Zoom on 7 October 2020 and 27 January 2021.

**Information and Advice**

2. The Local Authority Pension Fund Forum 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 80 funds and 6 pools (shown at Appendix A) with combined assets of over £300 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 meetings were attended on behalf of Nottinghamshire Pension Fund by an officer representative.
5. The agenda of the October meeting included, among other things, an item on the 'just transition', i.e. the transition to a greener, more sustainable economy without causing too much disruption to the communities that currently rely on the traditional carbon-driven economy. During 2021, LAPFF will be undertaking an inquiry and report into this issue through the Local Authority Pension Fund All-Party Parliamentary Group, and submitting its findings to the November 2021 UN Climate Change Conference in Glasgow. The inquiry has issued a call for evidence, the deadline for which is 30 April 2021.

6. Much of the discussion at the January meeting was given over to Covid-19 and how this can be tackled under the rubric of ESG. For instance, some of the spread of the virus has been attributed to poor working practices such as cheaply-hired migrant labour and the communal accommodation that is sometimes offered such labourers. Where appropriate, questions on such matters will be raised at future engagement meetings.
7. Before the close of the January meeting Carmen Nuzzo (Principles for Responsible Investment) gave a presentation on engagement relating to fixed income investments, which is not currently undertaken by LAPFF due to their being fewer natural channels for such engagement.
8. At both business meetings an update on LAPFF's engagement work in the previous quarter was presented. The headline engagement story in the quarter to September 2020 related to Aboriginal caves in Western Australia which had been destroyed by the Anglo-Australian multinational company Rio Tinto during a mining exploration.
9. The January meeting engagement report, covering the quarter to December 2020, reinforced the previous quarter's engagement by focussing on AngloAmerican and Glencore, both large international mining operations.
10. The latest engagement reports are listed as background papers to this report, but all LAPFF engagement reports can be found on the LAPFF website:

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

## **Statutory and Policy Implications**

11. 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**

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

**Nigel Stevenson**

**Service Director – Finance, Infrastructure and Improvement**

**For any enquiries about this report please contact: Ciaran Guilfoyle**

## **Constitutional Comments (KK 08/04/2021)**

12. 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 11/02/2021)**

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

## **Background Papers**

- LAPFF constitution
- Just Transition Inquiry – terms of reference
- LAPFF Quarterly Engagement Report July to September 2020
- LAPFF Quarterly Engagement Report October to December 2020





## Membership of LAPFF as at December 2020

### Funds

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

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

## **Pools**

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

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT****PENSION FUND TREASURY MANAGEMENT OUTTURN 2020/21****Purpose of the Report**

1. To provide a review of the Pension Fund's treasury management activities for the year to 31 March 2021.

**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 2020/21.
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 2020/21, cash investment activities were in accordance with the approved limits as set out in the Council'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 Council.
  - All investments were made to counterparties on the Fund's approved lending list.

- Over the course of the year the Council earned 0.09% on its cash investments, compared with the average 7-day London Interbank BID (LIBID) rate for 2020/21 which was effectively zero.

## Outturn Treasury Position

- The Fund's treasury management strategy and associated policies and practices for 2020/21 were approved in February 2020 by Full Council. The Service Director (Finance, Infrastructure & Improvement) complied with the strategy throughout the financial year.
- 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.
- The Fund's lending of temporary cash balances over the year is summarised in Table 1 below.

| <b>Table 1</b><br><b>Lending of temporary cash balances</b> | <b>£m</b> |
|---|-----------|
| Outstanding 31 March 2020                                   | 149.4     |
| Amount lent during 2020/21                                  | 389.7     |
| Amount repaid during 2020/21                                | (329.3)   |
| Outstanding 31 March 2021                                   | 209.8     |

- 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 exceeds the £209.8m cash balance, the drawdowns for Private Equity and Infrastructure commitments are usually made over a number of years and have been even slower over the last year. It is therefore unlikely that the full 100% will be called at short notice.

| <b>Table 2</b><br><b>Commitment as at 31 March 2021</b> | <b>£m</b>    | <b>When required</b>               |
|---|--------------|------------------------------------|
| Schroders cash balance                                  | 33.9         | Immediately                        |
| Aberdeen Standard Investments                           | 60.6         | As required for property purchases |
| Private Equity commitments                              | 124.7        | Unpredictable                      |
| Infrastructure commitments                              | 29.5         | Unpredictable                      |
| <b>Total</b>  | <b>248.7</b> |                                    |

- As part of the Council's wider treasury management strategy the Fund has inherited the following prudential indicator, which relates to fixed-term investments made for periods in excess of 1 year:

| <b>Table 3<br/>Treasury Management Prudential Indicator<br/>2020/21</b>  | <b>Approved limit</b>  | <b>Position<br/>at 31<br/>March</b> |
|--|------------------------|-------------------------------------|
| Upper limit for principal sums invested for over 365 days as at 31 March | Higher of £20m and 15% | £0m                                 |

11. The Fund's average cash investment level over 2020/21 was £229.0m (compared with £161.7m in 2019/20). The return achieved on this balance over the course of the year was 0.09% against the 7-day LIBID benchmark which was in effect zero. Investment rates available in the market remain very low as a result of central bank inflation policies. Table 4 below shows the returns achieved by type of deposit. The Fund made no fixed-term deposits 2020/21, as part of its strategy of keeping cash balances liquid and ready for investment in its main portfolios.

| <b>Table 4<br/>Returns on Investments</b> | <b>Average<br/>Balance</b> | <b>Interest<br/>Earned</b> | <b>Average<br/>Return</b> |
|---|----------------------------|----------------------------|---------------------------|
|   | <b>£m</b>                  | <b>£000</b>                | <b>%</b>                  |
| Fixed Term Investments                    | 0.0                        | 0.0                        | n/a                       |
| Call Accounts / Money Market Funds        | 229.0                      | 204.8                      | 0.09                      |

## **Statutory and Policy Implications**

12. 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**

That Pension Fund Committee members approve the Out-turn 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 08/04/2021)**

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

## **Financial Comments (TMR 08/04/2021)**

14. 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

**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE &  
IMPROVEMENT****CLIMATE ACTION PLAN PROGRESS REPORT****Purpose of the Report**

1. To review progress against the Climate Action Plan.

**Information**

2. The Climate Risk Report was reported to the Nottinghamshire County Council Pension Fund in October, with a number of recommendations which have become the Fund's Climate Action Plan. The Committee requested that progress was reviewed after six months.
3. Not all the actions in the action plan were due within these six months, but all those which were have been completed.

**Progress**

4. The following table shows the full Climate Action Plan, the actions which have been taken to date, and provides any updates on the items on the plan.

| Ref | Category          | Action   | Timing   | Notes  | Progress since October  | In line with original plan? |
|-----|-------------------|--|--|--|---|-----------------------------|
|     | <b>Governance</b> |  |  |  |   |                             |
| 1   | Governance        | Publish a TCFD Disclosure. 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                         |
| 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                         |
| 3   | Governance        | Schedule agenda time at Nottinghamshire Pension Fund committee meetings at least annually for discussion of progress on climate strategy<br><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 | <i>LGPS Central to advise on timing of metric updates</i>  | Climate related issues have been discussed at every meeting. This is the first 6 monthly review | Yes                         |
| 4   | Governance        | Schedule one training session on general RI matters and one climate-specific training per year   | 6 months   | LGPS Central to provide training<br><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    | Yes                         |



| Ref | Category          | Action  | Timing  | Notes                                     | Progress since October | In line with original plan? |
|-----|-------------------|---|---------|---|------------------------|-----------------------------|
|     | <b>Governance</b> |   |         |   |                        |                             |
| 5   | Policies          | <p>Update policies to reflect climate risk e.g. consider:-</p> <ul style="list-style-type: none"> <li>communications on climate risk into communications strategy</li> <li>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 ISS</li> <li>Update the Governance Policy Statement to explain how climate risks are governed</li> <li>Review as part of the FSS the extent to which climate risks could affect other risks noted in the FSS</li> <li>Update the Fund's "Approach to Responsible Investment" in the ISS to include the six responsible investment beliefs.</li> <li>Consider incorporating the Fund's "Approach to Environmental Risk within this disclosure"</li> </ul> | July 21 | At the next regular review                | Not yet due            |                             |
| 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 | Not yet due            |                             |

| Ref | Category         | Action   | Timing  | Notes  | Progress since October   | In line with original plan? |
|-----|------------------|--|---|--|--|-----------------------------|
|     | <b>Strategy</b>  |  |   |  |  |                             |
| 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                         |
| 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<br><i>Take into account as review of asset allocation</i> | Agreed as a standard agenda item for the January WP meetings   | Yes                         |
| 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'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 is on the agenda for the April 21 PFC and will be implemented over 21/22   |                             |

| Ref | Category          | Action   | Timing  | Notes   | Progress since October   | In line with original plan? |
|-----|-------------------|--|---|---|--|-----------------------------|
|     | <b>Strategy</b>   |  |   |   |  |                             |
| 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                         |
| 11  | Asset Allocation  | Explore potential investments in sustainable private equity, green bonds and low-carbon passive equities.  | Ongoing   | Longer term consideration<br><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                         |
| 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<br><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. |                             |

| Ref                    | Category            | Action  | Timing  | Notes                            | Progress since October   | In line with original plan? |
|------------------------|---------------------|---|---|----------------------------------|--|-----------------------------|
| <b>Risk Management</b> |                     |   |   |                                  |  |                             |
| 13                     | Company Stewardship | Create an annual stewardship plan   | April 21  | With the support of LGPS Central | This is on the agenda for the April 21 PFC   | Yes                         |
| <b>Risk Management</b> |                     |   |   |                                  |  |                             |
| 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 GHG emissions data   | Ongoing – will form part of the annual stewardship plan | With the support of LGPS Central | The annual stewardship plan is on the agenda for the April 21 PFC and will be implemented over 21/22 |                             |
| 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 is on the agenda for the April 21 PFC and will be implemented over 21/22 |                             |
| 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 is on the agenda for the April 21 PFC and will be implemented over 21/22 |                             |
| 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 | Not yet due  |                             |

| Ref | Category                   | Action   | Timing  | Notes  | Progress since October   | In line with original plan? |
|-----|----------------------------|--|---|--|--|-----------------------------|
|     | <b>Risk Management</b>     |  |   |  |  |                             |
| 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 is on the agenda for the April 21 PFC and will be implemented over 21/22 |                             |
|     | <b>Metrics and Targets</b> |  |   |  |  |                             |
| 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 due for delivery at the end of August.                               |                             |
| 19  | Metrics                    | Repeat Climate Scenario Analysis every 2-3 years   | Summer 22-23  |  | Not yet due  |                             |
| 20  | Metrics                    | Report annually on progress on climate risk using the TCFD framework   | Autumn 21   | Timescale dependent on LGPS Central availability | Not yet due  |                             |

## **Other work**

5. 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.
6. The Pension Fund will continue to monitor and manage all financially material risks to which it is exposed.

## **Other Options Considered**

7. 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**

That members consider whether they require any further actions as a result of the contents of 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 07/04/2021)**

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

## **Financial Comments (TMR 29/03/2021)**

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





**REPORT OF SERVICE DIRECTOR – FINANCE, INFRASTRUCTURE & IMPROVEMENT****CLIMATE STEWARDSHIP PLAN REPORT****Purpose of the Report**

1. To present the Climate Stewardship Plan.

**Information**

2. The Climate Risk Report was reported to the Nottinghamshire County Council Pension Fund in October, with a number of recommendations. These included the creation of a Climate Strategy which was agreed by Committee in March. A high level Climate Stewardship Plan was attached as an appendix to this strategy.
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 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.
6. The Climate Stewardship Plan focuses specifically on climate change and complements ongoing stewardship activities on other environmental, social and governance factors.

**Other work**

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

## **Other Options Considered**

8. 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**

9. 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**

10. 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**

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

## **RECOMMENDATION**

That members consider whether there are any further actions they require as a result of the contents of 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 07/04/2021)**

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

## **Financial Comments (TMR 29/03/2021)**

13. The financial implications are set out in paragraph 11.

## **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 September 2020 Nottinghamshire County Council Pension Fund (the Fund) received an in-depth Climate Risk Report from its pooling company, LGPS Central Limited. One of the key recommendations from this report was for the Fund to develop a Climate Stewardship Plan. 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 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 active participant. In

---

<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

leveraging this investor partnership the Fund is able to engage and monitor progress for the focus list companies against a newly established CA100+ Net Zero Benchmark Framework (appendix B). 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 currently being assessed against eight key Framework indicators and the results will be made public by CA100+ at the end of Q1 2021. Company response and engagement progress will feed in to voting decisions undertaken by the Fund. The Fund will engage these investee companies on all elements of the CA100+ Framework but with particular emphasis on:

| Company <sup>2</sup> | Sector             | Issue/Objective   |
|----------------------|--------------------|---|
| 1                    | Materials          | <ul style="list-style-type: none"> <li>Deliver Paris-aligned business strategy</li> </ul>   |
| 2                    | Energy             | <ul style="list-style-type: none"> <li>Deliver Paris-aligned business strategy</li> </ul>   |
| 3                    | Materials          | <ul style="list-style-type: none"> <li>Deliver Paris-aligned business strategy</li> </ul>   |
| 4                    | 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> |
| 5                    | Materials          | <ul style="list-style-type: none"> <li>Lobbying and trade associations</li> <li>Climate Transition Plan to AGM in 2021</li> </ul>   |
| 6                    | 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>   |
| 7                    | Energy             | <ul style="list-style-type: none"> <li>Capital allocation aligned with the Paris Agreement</li> <li>Climate Transition Plan to AGM in 2021</li> </ul>   |
| 8                    | Energy             | <ul style="list-style-type: none"> <li>Alignment of Net Carbon footprint with the Paris Agreement</li> </ul>  |

The Fund will 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> </ul> |

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.

<sup>2</sup> The Fund will assess whether the focus list can be published with company names in tandem with publications of CA100+ Benchmark Framework results.

|             |  |
|-------------|--|
|             | <ul style="list-style-type: none"><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. 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.





**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: Pete Barker, x74416**

## **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

| <b>Report Title</b>                  | <b>Brief summary of agenda item</b>   | <b>Report Author</b>  |
|--------------------------------------|---|-----------------------|
| <b>17 June 2021</b>                  |   |                       |
| Admin. Performance Report            | Update report   | Jon Clewes            |
| Fund Valuation & Performance – Qtr 4 | Summary of quarterly performance  | Tamsin Rabbitts       |
| Independent Adviser's Report         | Independent Adviser's review of performance   | Independent Adviser   |
| Managers' Presentations              | Presentations by Fund Managers (exempt)   | LGPS Central and LGIM |
| <b>15 July 2021</b>                  |   |                       |
| Fund Strategies                      | Review of Fund Strategies including considering changes suggested in the Climate Risk Report. | Tamsin Rabbitts       |
| Equity Allocations                   | Consider reduction in the UK listed equity allocations to 35%.                                | Tamsin Rabbitts       |
| Proxy Voting                         | Summary of voting activity during quarter 1 of 2020   | Ciaran Guilfoyle      |
| LAPFF Business Meeting               | Report from LAPFF Business Meeting  | Ciaran Guilfoyle      |
| LGPS Central Presentation            | Update on Pooling   |                       |

| <b>TO BE PLACED</b>  |   |                 |
|--|---|-----------------|
| Pensions Effect on Higher Education                            |   | Jon Clewes      |
| Monitoring of the Member Death Process                         | Update Report   | Jon Clewes      |
| Review of Work of the Pension Fund Committee and Pension Board |   | Marje Toward    |
| Annual review of Climate Risk metrics                          | Timing of next review to be informed by LGPS Central timetable. | Tamsin Rabbitts |