The following questions were submitted to the Pension Fund for answer at the AGM. Given the volume of questions, for the meeting some of these were grouped and answered together. All relevant parts of questions submitted are reproduced below with individual answers.

Employers questions

Question from Councillor Sally Longford

"Nottingham City Council has declared a climate and ecological emergency and is committed to being carbon neutral by 2028.

On behalf of the many employees of the City Council, partner organisations and citizens of Nottingham who are concerned about the impact of their Pension Fund on climate change, and, given the decreasing financial performance of fossil fuel related investments, I would like to ask that the Pension Fund agree to consult with its members on a divestment strategy and timeline before the next AGM, in order to ensure the long term sustainability of the Fund and to play it's part in the prevention of catastrophic climate change."

Councillor Sally Longford

Response

The Pension Fund shares the concerns of Nottingham City Council about climate change. Climate action failure is the stand-out, long-term risk the world faces in likelihood and impact according to the 2020 Global Risks Report from the World Economic Forum.

How companies manage climate-related transition and physical risks and opportunities is highly likely to affect long-term profits and company returns. Policy makers response equally so. We therefore actively debate how the Fund alongside other like-minded investors can best encourage a broad transition towards a low-carbon economy.

We have discussed divestment at length particularly over the past few years, most recently at a Working Party in 2020 to discuss the Climate Risk Analysis report procured from LGPS Central. From these and previous discussions we have concluded that divestment is a less effective strategy than engagement at delivering beneficial outcomes as well as being less consistent with our fiduciary duty to pension fund members. Engagement remains a more powerful and more effective tool that we use both at corporate, industry and policy levels to influence not just individual company behaviour but the "rules of the game". By the same token that we ask companies to align their businesses with the Paris Agreement, we ask policy makers to take policy action that will facilitate the transition to a low-carbon economy. As an example of the latter our pool company LGPS Central has co-signed, on our behalf, letters to EU and UK leaders asking for a green recovery from the health pandemic.

Importantly, focussing on the exclusion of Oil and Gas companies ignores the impact other companies have on climate change. Almost every business in the world to some extent depends on the use of fossil fuels and will do so for some time to come. Selling shares in oil & gas companies will not make real world changes to greenhouse gas emissions, indeed it could be counterproductive. It requires systemic change across many industries and governments to make the impact required to limit global warming. We believe there needs to be corporate change across a wide range of sectors, which in our view is more likely with an engagement strategy. Many companies seek out investors for their views on decarbonisation plans and strategies.

Our Investment Strategy Statement therefore continues to state that the Pension Fund believes that a strategy of engagement (i.e. working from the inside to influence company behaviours) rather than exclusion is more compatible with fiduciary duty and will lead to a better outcome in terms of climate change. We note that most other LGPS funds and major pension funds take this view. If Nottinghamshire Pension Fund were to sell its fossil fuel holdings to another less engaged investor the pressure on those companies would reduce with potentially a negative impact on carbon emissions and speed of transition. The Fund actively influences companies by engagement through our investment managers and LAPFF, and by exercising our voting rights.

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We understand the request to consult members or employers. If the Fund were planning to make an investment or divestment for non-financial reasons, it would have to have good reasons for believing that Fund members shared its belief. As the Fund has not invested or divested for non-financial reasons, there is no requirement at this stage to hold a consultation, which carries a significant cost. We note also that the Fund is not bound by the results of a consultation, though it should take them into consideration.

To summarise, we share the questioner's ambitions that the Pension Fund should invest in a way which is consistent with mitigating climate change and we are actively pursuing that strategy. However we do not share their view that divesting from fossil fuels is the most effective way of achieving that.

Question from Chris Common of the Energy Service, Nottingham City Council

In 2020, Nottingham committed to become the first UK city to be carbon neutral by 2028 to help reduce the devastating impact of climate change. To achieve this, it is vital that all businesses, organisations, employees, residents and visitors play their part to reduce their carbon footprints as much as possible. Fossil fuel companies contribute to one of the major causes of the climate emergency as the burning of fossil fuels creates carbon dioxide and accelerates heating in the atmosphere. The City Council's Energy Services has led the development of an action plan for the whole city to achieve this ambition and this plan includes a specific action to **'Review current asset portfolio and work with partners towards divestment from any fossil fuel related investments and**

campaign for divestment of the Nottinghamshire LGPS'. A target for this being achieved has been set by the end of 2022.

Energy Services understand that the Nottinghamshire Pension Fund holds at least £170m in fossil fuel company shares and has no investments in sustainable, low carbon or renewable energy equity funds. Nottingham City Council is encouraging all its employees to do what they can to reduce their carbon footprint in both their home and work lives and many of which will be members of the Nottinghamshire Pension Fund.

Over 1300 institutions worldwide have committed to divestment, including at least 10 UK local government pension funds and a large number of UK universities and faith organisations and so Energy Services would like to ask the Notts Pension Fund AGM:

What plans does the Fund have to divest in fossil fuel companies and;

Will the Fund consult its member employers on its investment and climate strategies?

Response

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The implication that the Fund has no investment in renewable energy or sustainable investments is not true. Over the past fifteen years, the Fund has made investments in a range of listed investment trusts and private funds whose model is partially or wholly based on sustainable investments. Examples are The Renewable Infrastructure Group, Impax Environmental Markets Trust on the listed side and Green Investment Offshore Wind Bank on the private side. In addition our two main active managers have carbon footprints of 58% and 31% respectively of their benchmarks, showing that they also pay attention to investing sustainably. We expect, subject to due diligence, to make a significant allocation to a sustainable equity mandate when LGPS Central has one available.

We gave our reasons why one of our investment beliefs stated in our Investment Strategy Statement is that engagement is a more appropriate response than divestment and more likely to lead to a better outcome in terms of climate change. We emphasise again that in doing this we are aligned with the great majority of pension funds around the world who have a fiduciary duty to members. We discuss this issue at Committee on a regular basis, but at the moment there are no plans to divest from fossil fuels.

We understand the request to consult members or employers. If the Fund were planning to make an investment or divestment for non-financial reasons, it would have to have good reasons for believing that Fund members shared its belief. As the Fund has not invested or divested for non-financial reasons, there is no requirement at this stage to hold a consultation, which carries a significant cost. We note also that the Fund is not bound by the results of a consultation, though it should take them into consideration.

To summarise, we share the questioners' ambitions that the Pension Fund should invest in a way which is consistent with mitigating climate change and we are actively pursuing that strategy. However we do not share their view that divesting from fossil fuels is the most effective way of achieving that.

Members questions

Question from Maja Likar

As a member of the pension fund, a former Nottingham City Council employee and a Nottingham City resident, I would like to express my concern about the fact that the pension fund I am a part of is investing money in fossil fuel companies.

I believe that does not represent my interests and the interests of many other fund members who are all too much aware of the impending environmental issues of climate change and our society's need to change to prevent the worst from happening.

There is an abundance of verified information about the damaging impact of fossil fuels on the environment and there is a wellspring of growing sustainable energy industries that has a potential of becoming a great alternative to the traditional energy production.

Many councils in the UK have started divesting from fossil fuel companies, and Nottingham City Council is among the councils that back divestment.

With all of this in mind, I am very surprised that our pension fund is not considering divesting from our BP and Shell shares and turning to more sustainable energy investment funds.

For so many reasons that would be the most sensible decision and I know that it is something that the Pension Fund group have been challenged on before.

We need to step ahead and start facing the fact that climate change and its disastrous effects are already present - all over the world and on our doorstep as well. It is a horribly late time to act, but I think we need to act, to prevent the worst from happening.

I work with children and one day I would like to raise my own children.

I very often think about what kind of world they would be growing up in and what I can do to make it a place that they can live in - the way things are now, I can't imagine it will be a hospitable place. I am trying to do that by writing to you and asking you to consider to change and react to the present challenges that will be forming the basis of our lives and our descendant's lives.

And I can only hope that you think about this and see what you can do about it within your responsibility in the Pension Fund. Divesting is a good start.

Response

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The Pension Fund already invests in renewable energy. Over the past fifteen years, the Fund has made investments in a range of listed investment trusts and private funds whose model is partially or wholly based on sustainable investments. Examples are The Renewable Infrastructure Group on the listed side and Green

Investment Offshore Wind Bank on the private side. In addition our two main active managers have carbon footprints of 58% and 31% respectively of their benchmarks, showing that they also pay attention to investing sustainably.

To summarise, we share your ambitions that the Pension Fund should invest in a way which is consistent with mitigating climate change and we are actively pursuing that strategy. However we do not share your view that divesting from fossil fuels is the most effective way of achieving that.

Question from Helen Burrows-Hemstock

I am writing to you both as the leader of RideWise, a Nottinghamshire-based environmental charity which focuses on reducing the impact of transport on our environment, as well as being a member of the Nottinghamshire County Council pension scheme through a previous employer - the Greater Nottingham Partnership.

At RideWise, we care deeply about the future of sustainable transport - with our remit being around the reduction of the harmful impact of transport on our environment. We use sustainable forms of transport to improve lives, businesses, and communities. It is therefore, deeply concerning that Nottinghamshire County Council continue to invest pension funds in fossil fuel industries, whilst making no investment in sustainable and renewable energies.

As custodians of this scheme, it is your responsibility to maximise returns on these pension funds. Oil Industry investments from this pension scheme are reported to have underperformed by £81M since 2017. As a local authority it is your duty to behave ethically and responsibly with all that you are entrusted with.

I am both a pension holder and resident in Nottinghamshire, and I expect you, my local authority, to act with ambitious, innovation and with unquestionable standards of excellence in all that you do - which includes the choice of investment in this pension portfolio. There is simply no doubt that investment in fossil fuel industries is no longer acceptable - nor is it financially justifiable.

The Five Years Lost report, issued by 18 NGOs to mark the 5th anniversary of the Paris Agreement in December 2020, identified 12 fossil fuels projects either planned or under development which would devastate efforts to prevent dangerous climate change. ExxonMobil, Total and BP are involved in six of these projects. Shell and Chevron are involved in five. Nottinghamshire Pension Fund has holdings in all these companies.

Simply put, these companies are developing climate-destructive projects which are being supported by our pension fund and therefore by Nottinghamshire County Council. Will you sell these investments and invest instead in companies whose support long term sustainable and renewable energies?

Response

The implication that the Fund has no investment in renewable energy or sustainable investments is not true. Over the past fifteen years, the Fund has made investments in a range of listed investment trusts and private funds whose model is partially or wholly based on sustainable investments. Examples are The Renewable Infrastructure Group, Impax Environmental Markets Trust on the listed side and Green Investment Offshore Wind Bank on the private side. In addition our two main active managers have carbon footprints of 58% and 31% respectively of their benchmarks, showing that they also pay attention to investing sustainably. We expect, subject to due diligence, to make a significant allocation to a sustainable equity mandate when LGPS Central has one available.

The article in the Financial Times refers to estimates compiled by environmental campaign group Platform London. We have not been provided with the basis on which these estimates have been calculated so are unable to comment in detail on them. At a high level the article estimates performance over a relatively short timeframe, and it is not clear whether or not the article assesses performance on a total return basis, covering both share price and dividend payments.

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Question from Rachel Adams

As a member of the Pension Fund, I was distressed to read in the Financial Times on 28th November 2020 that the Pension Fund has lost £81m on fossil fuel investment since April 2017. Why is the Pension Fund investing in a way which affects the future pensions of members? Why does it not sell its fossil fuel investments and invest in low carbon and renewable energy companies which are sure to outperform fossil fuel companies as the green transition progresses?

Response

The article in the Financial Times refers to estimates compiled by environmental campaign group Platform London. We have not been provided with the basis on which these estimates have been calculated so are unable to comment in detail on them. At a high level the article estimates performance over a relatively short timeframe, and it is not clear whether or not the article assesses performance on a total return basis, covering both share price and dividend payments.

You should be reassured that members' pensions are not at risk at as this is a defined benefit scheme and members' pensions are derived from the scheme rules, not based on investment performance.

As part of portfolio diversification, the Pension Fund has committed to an allocation of 8% to Infrastructure, equivalent to over £440m. Some of the investments already made are specifically in renewable energy funds, but the clean energy sector makes up a significant share of the infrastructure investment universe, so this constitutes a major proportion of our more general infrastructure funds. It should be noted that many other infrastructure investments (e.g. in public transport infrastructure) contribute indirectly to reducing the demand for fossil fuels.

Question from Michael Howard

Fossil fuel companies and their investors continue to operate in the hope for a few more decades of profit from energy sources which are becoming rapidly outmoded. They face continually strengthening headwinds in the form of sustainable technological innovation, international climate policy and social and political pressure.

The fossil fuel and other high carbon industries are pushing us towards tipping points of irrevocable, catastrophic changes to our climate which threaten the future of humanity.

I am a Pension Fund member with a young family. I feel anxious every day for their future. Will you respect the wishes of me and other members by rapidly switching your investments to those which will help prevent catastrophe? These investments must be consistent with carbon budgets which would limit global heating to a maximum of 1.5°C, and prevent deforestation and biodiversity loss.

Response

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To summarise, we share your ambitions that the Pension Fund should invest in a way which is consistent with mitigating climate change and we are actively pursuing that strategy. However we do not share your view that divesting from fossil fuels is the most effective way of achieving that.

Question from Michael Gallagher

I would like you to raise the issue of divestment from fossil fuels at the AGM and look to invest in more sustainable ways ie offshore wind.

I am not happy with continued investment in fossil fuels and other unsustainable environmentally damaging organisations.

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To summarise, we share your ambitions that the Pension Fund should invest in a way which is consistent with mitigating climate change and we are actively pursuing that strategy. However we do not share your view that divesting from fossil fuels is the most effective way of achieving that.

Question from John Hort

Why is the Pension Fund not divesting from investment in fossil fuels when the argument for doing so is so strong?

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Our pooling company, LGPS Central is an active member of a collaborative engagement called ClimateAction 100+. CA100+ engages 161 companies across the globe that are responsible for 80% of industrial carbon emissions globally. The initiative builds on a simple but powerful logic: If you engage and influence the highest emitters, you influence whole sectors, markets and the global economy. CA100+ is currently being ramped up through a Benchmarking project. All companies are asked to set an explicit target of net-zero emissions by 2050 – and to provide verifiable evidence that this will be achieved in the short, medium and long term. This introduces an element of "no-where to hide" and investors will be able to assess companies progress relative to sector-peers and across the board.

The Pension Fund already invests in renewable energy. Over the past fifteen years, the Fund has made investments in a range of listed investment trusts and private funds whose model is partially or wholly based on sustainable investments. Examples are The Renewable Infrastructure Group on the listed side and Green Investment Offshore Wind Bank on the private side. In addition our two main active managers have carbon footprints of 58% and 31% respectively of their benchmarks, showing that they also pay attention to investing sustainably.

To summarise, we share your ambitions that the Pension Fund should invest in a way which is consistent with mitigating climate change and we are actively pursuing that strategy. However we do not share your view that divesting from fossil fuels is the most effective way of achieving that.

Question from Nicholas Blinston

Derbyshire LGPS Pension Fund recently carried out a consultation of its members on its Investment Strategy Statement, Responsible Investment Framework and Climate Strategy. What is Nottinghamshire Pension Fund doing to consult its members and member employers on its equivalent frameworks and strategies?

Response

We understand the request to consult members or employers. If the Fund were planning to make an investment or divestment for non-financial reasons, it would have to have good reasons for believing that Fund members shared its belief. As the Fund has not invested or divested for non-financial reasons, there is no requirement at this stage to hold a consultation, which carries a significant cost. We note also that the Fund is not bound by the results of a consultation, though it should take them into consideration.

Question from Carolyn Caudwell

The Pension Fund's recent climate risk analysis looks at the impact on its investments of 2°, 3° and 4°C of global heating.

The President of COP26, UK Business Secretary Alok Sharma, regards the goal of the Paris Agreement to be limiting warming to **1.5°C**, asking in his closing address to the Climate Action Summit 2020 "…have we done enough to put the world on track to limit warming to 1.5 degrees, and protect people and nature from the effects of climate change? To make the Paris Agreement a reality?".

Further, the IPCC Special Report on Global Warming of 1.5°C (2018) established the economic and environmental advantages of limiting warming to 1.5°C. Why therefore did the Pension Fund omit to request assessment of a 1.5°C scenario in the climate risk assessment recently carried out by LGPS Central and its contractor? How is it financially prudent or environmentally responsible to have no such assessment?

Response

The Pension Fund takes the financial risks of climate change very seriously and commissioned LGPS Central to deliver a Climate Risk Report which was taken to Committee in October. This 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.

LGPS Central uses an external service provider to conduct the Climate Scenario Analysis for the Climate Risk Reports. The service provider considers its 2˚C scenario to be aligned with the commitments of the Paris Agreement. The direction of travel is more important than the target in order to achieve a better outcome and we will continue to monitor carefully the development of climate change science, both in its modelling of different scenarios and the impact they might have on the world and ultimately the Fund's financial investments. At the time of the tendering process in 2019, data limitations meant the service provider had not yet developed a 1.5 ˚C scenario. It is likely that a 1.5˚C scenario will be developed by the service provider in due course as climate change integrated assessment models are updated to consider such a scenario. In future Climate Scenario Analysis, LGPS Central will consider including a 1.5˚C scenario if data quality and models permit.

Question from Patrick Hort

Since we are both agreed that minimising average temperature rises is the goal, and since 1.5 degrees represents LESS warming than 2 degrees – but was NOT modelled – please can you tell me when a risk analysis of 1.5 degrees will be made available to the committee?

Response

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Question from Gary Morgan

I'm grateful that you recently did a climate risk assessment of a 2°C level of global warming.

However, does the Pension Fund believe that limiting global warming to 1.5°C above pre-industrial levels is preferable to 2°C (or higher) levels of warming? Please answer this with evidence and with regard to the environmental, economic and social impacts that those currently alive – including Pension Fund members - and future generations will face. If the Pension Fund does believe that 1.5°C is preferable, why is it not changing its investment strategy to align it with the emissions cuts required to meet this goal?

Response

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Question from Dr Sarah Maloy

In September 2020, Mark Carney, the former Governor of the Bank of England, said the following about sustainable investing: "The question particularly for asset owners, pension funds, sovereign wealth funds and others is: How are you oriented? Are you on the right side, or the wrong side, of history?" Having investments consistent with contributing to catastrophic climate change, is being on the wrong side of history. Are Nottinghamshire Pension Fund's investments aligned with the global emissions cuts we need to prevent global heating of more than 1.5°C? If not, what steps are the Fund taking to make them so?

Response

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Question from Nicholas Pearson

In October 2020 South Yorkshire Pension Authority voted to make its investment portfolio carbon neutral by 2030, and asked officers to produce a route map for this in 6 months. Given the environmental and financial risks of continuing with fossil fuel and other high carbon investments, and the massive investment opportunities in low carbon and renewable energy industries, can I ask when Nottinghamshire Pension Fund will be setting a similar target?

Response

We agree with the aspiration to reduce carbon emissions, and the Climate Risk Analysis we undertook in 2020 demonstrates that by showing that our active equity managers' carbon footprint is around half that of the benchmark. However, we have to balance this desire with all the other objectives which the Pension Fund is obliged to follow, most notably our fiduciary duty to members. We cannot allow one goal to dominate everything.

A core investment principle is to allocate in a considered way on the basis of robust data. If we use unreliable data, we may end up with a poor outcome. Carbon data scoring is still a young industry in the process of development, and, while the data provides useful insights there are a number of limitations. For example, little attention is paid to Scope 3 emissions (i.e. by the user), and much data provided by companies is neither audited or standardised. As climate-related data quality and availability improves, more reliance can be placed on that data.

We anticipate that as we implement our long term investment strategy we will reduce carbon emissions from the portfolio and will continue to review target setting as part of the overall climate-risk monitoring we will be undertaking on an ongoing basis. This will be done alongside robust ESG integration into investment decisions by our investment managers and active and responsible stewardship (engagement and voting) of the assets we hold.

Question from Sue Mallender

Fires in the Amazon and Pantanal region of Brazil - driven by illegal logging and cattle ranching - are increasing carbon emissions, damaging carbon sinks and destroying some of the most biodiverse areas in the world. Does the Pension Fund have an investment policy on preventing deforestation? What concrete actions is it taking to prevent deforestation associated with its investments?

Response

Through our pooling company LGPS Central, and our main equity managers Legal & General and Schroders we engage on the long-term investments risks inherent in deforestation both at policy and company levels. We recognise the crucial role that tropical forests play in tackling climate change, and protecting biodiversity, which again has an impact on economic development and the stability and well-functioning of capital markets.

As examples of a concrete action taken recently:-

LGPS Central is on the Advisory Committee of an Investors Policy Dialogue on Deforestation initiative known as IPDD which expects Brazilian authorities to halt and reverse deforestation while allowing investors access to data to monitor progress. This message has been communicated by investors over the last 4-5 months to the highest political levels, including to the Brazilian Vice President, the Governor of the Brazilian Central Bank and members of the Brazilian Congress. IPDD will be a two-year project that also aims to span other regions of the world that face deforestation risk.

For Legal and General tackling deforestation is recognised as a key element of achieving net-zero emissions and as such features significantly in the engagement their Investment Stewardship team undertakes across a wide range of companies. Deforestation features as part of Legal and General's Climate Impact Pledge as it is one of the issues they raise with companies in the relevant sectors and also with governments.

Legal & General have been engaging with some of the largest food companies on tackling deforestation since 2016. In addition, they are publicly assessing 125 food companies on the strength of their deforestation policies. The lack of a deforestation policy may result in a vote against at the companies' upcoming AGM.

Schroders recognise that deforestations, changes in land use, increasing agricultural intensity, over-population, climate change and pollution contribute to biodiversity loss and therefore take these factors into consideration in their ESG analysis of companies and engage with companies where we believe their practices are unsustainable.

Question from Ben Homfray

"There is no certainty that adaptation to a world with 4°C of heating is possible. It is likely to be one in which communities, cities and countries experience severe disruptions, damage, and dislocation such as exposure of over three-quarters of the world's population to deadly heat extremes. It is therefore vital that decision makers study these environmental and social impacts. Did the training course on Climate Risk recently given to the Pension Fund Committee by LGPS Central include an explanation of the different impacts projected by the IPCC between heating of 1.5, 2.0, 3.0 and 4.0 degrees C? And if not, what actions are the Committee prepared to take to familiarise themselves with impacts projected by the United Nations Environment Programme and the IPCC?"

Response

The answer to the question is, yes, the training course on Climate Risk recently given to the Pension Fund Committee by LGPS Central did include a section looking at estimates of the different impacts of varying degrees of temperature increase. Climate related scenario analysis is an immature discipline. It is difficult modelling the impacts and implications on a multi asset investment portfolio of an unprecedented global transition, which is in the process of being affected by governments around the world. It is the intention to repeat this analysis as the data and analytical tools evolve, and the Pension Fund Committee will continue to receive training from LGPS Central.

Question from Julia Bristow

As a Notts Pension Fund member and an employee of Nottingham Trent University, which is the fourth most sustainable university in the world (http://greenmetric.ui.ac.id/), I would like to ask the panel how they plan to recoup the £81m lost revenue from investments in fossil fuel companies as reported in the Financial Times?

Response

The article in the Financial Times refers to estimates compiled by environmental campaign group Platform London. We have not been provided with the basis on which these estimates have been calculated so are unable to comment in detail on them. At a high level the article estimates performance over a relatively short timeframe, and it is not clear whether or not the article assesses performance on a total return basis, covering both share price and dividend payments.

Question from Prakash Ross

Over recent months countries representing well over 50% of global GDP have signalled substantially increased short-and medium-term climate and renewable energy ambitions: the incoming Biden administration in the USA aims for 100% zero carbon electricity by 2035; Boris Johnson announced that the UK is raising its emissions reduction target to 68%, and 100% of domestic electricity demand will be met by wind power by 2030; the European Union increased its emissions reduction target to 55% by 2030; China announced it plans to peak its emissions before 2030; and Japan aims for net zero by 2050, requiring a massive shift away from fossil fuels to renewable energy. These moves signal a massive green transition investment opportunity for the Pension Fund and its members.

Despite having said it will invest in low carbon and sustainable funds, the Pension Fund currently has no investments in equity funds which are weighted in favour of companies with high green revenues (such as the LGPS Central Climate Multi Factor Fund, or funds based on the new TPI Climate Transition Index), or in equity funds which invest specifically in renewable energy. What specific and concrete plans does the Pension Fund have to make these investments?

Response

The implication that the Fund has no investment in renewable energy or sustainable investments is not true. Over the past fifteen years, the Fund has made investments in a range of listed investment trusts and private funds whose model is partially or wholly based on sustainable investments. Examples are The Renewable Infrastructure Group, Impax Environmental Markets Trust on the listed side and Green Investment Offshore Wind Bank on the private side. In addition our two main active managers have carbon footprints of 58% and 31% respectively of their benchmarks, showing that they also pay attention to investing sustainably. We expect, subject to due diligence, to make a significant allocation to a sustainable equity mandate when LGPS Central has one available.

As part of portfolio diversification, the Pension Fund has committed to an allocation of 8% to Infrastructure, equivalent to over £440m. Some of the investments already made are specifically in renewable energy funds, but the clean energy sector makes up a significant share of the infrastructure investment universe, so this constitutes a major proportion of our more general infrastructure funds. It should be noted that many other infrastructure investments (e.g. in public transport infrastructure) contribute indirectly to reducing the demand for fossil fuels.

However most of these infrastructure investments are made through private equity funds. This places them outside the scope of the Climate Risk Analysis which focusses on equity investments as this is the only area where some reportable data exists. This is one of the limitations of this kind of analysis and is why it is not the only information considered by the Pension Fund in assessing its climate risk and its investment strategy.

The Pension Fund states in its Investment Strategy Statement an investment belief on the relevance of climate change for financial markets. In line with this belief, the Fund actively looks for investments which can be expected to benefit as a result of the long-term impacts of climate change. Opportunities may also arise from the response of policy makers and potential disruption in the market. The Fund will continue to look for investments which can be expected to benefit as a result of the current and long-term impacts of climate change and other global issues.

More specific plans for the next financial year include the evaluation of sustainable equity investments and the Fund is working with LGPS Central to develop a Sustainable fund. Over time the Pension Fund's exposure to fossil fuels will reduce as a result of these diversification decisions as we implement our long term investment strategy.

Question from Andrew Martin

I believe that more can and should be done in relation to making informed, sustainable decisions on financial investments, including to help safeguard employees' financial contributions.

UK Prime Minister and Conservative Party leader Boris Johnson in November 2020 pledged to 'Build Back Better', unveiling a 10 point plan in support of the Government's net zero emissions target and a Green Industrial Revolution.

How is the Pension Fund Building Back Better by realigning its investment strategy to take advantage of the opportunities this presents, including for renewable energy investments, and for job-creating local investments in Nottingham and Nottinghamshire?

Response

You should be reassured that members' pensions are not at risk at as this is a defined benefit scheme and members' pensions are derived from the scheme rules, not based on investment performance.

Over the past fifteen years, the Fund has made investments in a range of listed investment trusts and private funds whose model is partially or wholly based on sustainable investments. Examples are The Renewable Infrastructure Group, Impax Environmental Markets Trust on the listed side and Green Investment Offshore Wind Bank on the private side. We expect, subject to due diligence, to make a significant allocation to a sustainable equity mandate when LGPS Central has one available.

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Question from Ken Elmer

US oil and gas majors such as Chevron, ExxonMobil and ConocoPhilips, which the Pension Fund has investments in through US pooled funds, have been criticised in 2020 by the Transition Pathway Initiative for continuing to make very limited carbon and climate risk disclosures. This is despite the increasing probability of oil and gas prices remaining relatively low into the future as a result of both the Covid recession and continually strengthening international climate policy. Low prices increase the risk of oil and gas reserves and other exploration and production assets becoming stranded, meaning huge value destruction for those companies, for which they seem wholly unprepared. Given the importance the Pension Fund says it places on managing climate-related risk, what is the Pension Fund doing to reduce its exposure to these companies?

Response

The Pension Fund commissioned LGPS Central to deliver a Climate Risk Report which was taken to Committee in October. This analysis 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 and it shows that as the Fund progresses towards the long term strategic asset allocation these positions will further improve.

The long term strategic asset allocation has a reduced allocation to listed equities, and also to passive equities, which is where the bulk of the Fund's fossil fuel exposure is contained. When this is fully implemented this will generate a reduced exposure to oil companies generally, and to these US oil and gas majors in particular.

Question from Rosemary Jarrett

Goldman Sachs predicted in September 2020 that in 2021 investment in renewables in the US will surpass oil and gas investment for the first time, and said that the Covid-19 recession is accelerating the pivot towards clean energy. The incoming Biden administration's target of 100% renewable electricity by 2035 will provide further acceleration to this pivot, and only serves to grow the massive investment opportunity in renewables. Why does Nottinghamshire Pension Fund still have no investments in clean energy equity funds, either in the US or other regions? When will large scale investments in clean energy equity be made?

Response

The implication that the Fund has no investment in renewable energy or sustainable investments is not true. Over the past fifteen years, the Fund has made investments in a range of listed investment trusts and private funds whose model is partially or wholly based on sustainable investments. Examples are The Renewable Infrastructure Group, Impax Environmental Markets Trust on the listed side and Green Investment Offshore Wind Bank on the private side. In addition our two main active managers have carbon footprints of 58% and 31% respectively of their benchmarks, showing that they also pay attention to investing sustainably. We expect, subject to due diligence, to make a significant allocation to a sustainable equity mandate when LGPS Central has one available.

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