

This matter is being dealt with by:

Nigel Stevenson

Reference:

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Dear Sir/Madam,

3 September 2019

Thank you for your letter. Nottinghamshire Pension Fund shares your concerns about climate change and recognises the significance of climate-related risks to the pension fund.

We are transparent on our holdings in companies (<https://www.nottspf.org.uk/about-the-fund/investments#hold>) and our voting activities, and the same goes for our pool LGPS Central. LGPS Central publishes quarterly reports on engagement and stewardship activities on their website. LGPS Central also discloses every voting decision it makes on our behalf, including support for climate-related shareholder resolutions.

The fund continues to increase investments in Infrastructure as stated in our Investment Strategy Statement which can be found on the Pension Fund website here:- <https://www.nottspf.org.uk/media/1738354/iss-april-2019.pdf>. When our quarter one investments are published you will see a new investment in the Capital Dynamics Clean Energy Infrastructure Fund.

The Pension Fund aims to manage the risk factor through robust stewardship activities together with an ongoing review of our investments. We actively look for investments which can be expected to benefit as a result of the long-term impacts of climate change such as HICL Infrastructure, Renewables Infrastructure, Impax Environmental, Green Investment Bank Offshore Wind, and Langar Lane Solar Farm.

Nottinghamshire Pension Fund has the following belief about financial markets, as stated in our Investment Strategy Statement: "Diversification is a key technique available to institutional investors for improving risk-adjusted returns." This includes diversification across asset classes, regions, and sectors. Divesting from certain sectors – for example the energy sector – would limit NPF's diversification opportunities. The campaign group's 2nd request, therefore, is inconsistent with Nottinghamshire Pension Fund's beliefs.

As described in Nottinghamshire Pension Fund's Annual Report, engagement continues to highlight and improve the resilience of corporate strategies at global resource companies in the wake of climate change agreements. Our asset pool LGPS Central has set out a Responsible Investment & Engagement Framework and an Annual Stewardship Plan which align with and support Nottinghamshire Pension Fund's approach. Climate change is one of LGPS Central's specific stewardship themes. Through LGPS Central, and its stewardship partner Hermes EOS, we engage very widely on climate change with companies, auditors of companies, industry standard setters and policy makers. We actively seek changes to corporate behaviour through global climate-related investor partnerships including Climate Action 100+, Institutional Investor Group on Climate Change and the Transition Pathway Initiative (TPI). TPI was set up for asset owners like pension funds so that they can better understand the risks they carry through holding for instance heavy carbon-emitting companies, and to act on that information.

We favour engagement over divestment because we believe that engagement is more supportive of fiduciary outcomes (particularly effective risk management) and more supportive of societal outcomes (because were we to sell our shares to climate-unaware investors, corporate change is far less likely). LGPS Central is supporting 161 engagements with the most carbon intensive

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companies globally, via the Climate Action 100+ initiative. In addition to this, Hermes EOS engaged 307 companies last year on the subject of climate change, and the Local Authority Pension Fund Forum (LAPFF) engaged 55 companies on climate change last year. We expect similar high standards of responsible investment and engagement from our investment managers.

I hope all of the above provides you with assurance that the Nottinghamshire Pension Fund takes the issue of climate change very seriously and will continue to do so.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Nigel Stevenson', with a large, sweeping flourish extending to the right.

Nigel Stevenson
Service Director for Finance, Infrastructure & Improvement and
Section 151 Officer
Chief Executive's Department
Nottinghamshire County Council