

Pension Fund Investment Sub-Committee

12 June 2023

Climate Risk Report

Recommendation

That the Pension Fund Investment Sub-Committee notes and comments on this report.

1. Executive Summary

- 1.1 The purpose of this paper is to inform the Pension Fund Investment Sub-Committee (PFISC) about the Fund's climate risk exposure.
- 1.2 Appendix 1 is a report by the Fund's investment consultant, Hymans Robertson, looking at the key metrics agreed by the PFISC in June 2022.
- 1.3 The glossary on page 2 of Appendix 1 sets out the meanings of the metrics used in the report.
- 1.4 Some of the key findings are that:
 - i.) Climate data is only available for 52% of the Fund's assets.
 - ii.) The year-on-year movement shows a broadly net neutral position in Tonnes of CO₂ per \$m Carbon (a total emissions metric).
 - iii.) Based on the available data, the underlying funds are generally positioned well against their benchmarks on each of the carbon metrics.
 - iv.) There are several underlying companies whose contribution to their individual fund's carbon footprint significantly outweighs their allocation. The intention is for the Fund's officers to engage with its investment managers in relation to these companies, with the objective of managing and mitigating climate risk via proactive and effective engagement.
 - v.) The Fund may wish to consider engaging with the managers of its funds that are not included in this report to provide support for more climate risk reporting.

2. Financial Implications

- 2.1 Climate risk, as set out in the Fund's [Investment Beliefs](#) and its [Climate Risk Policy](#), is expected to have a material impact on the Fund's investment outcomes. The Committee believes that a [Responsible Investment approach](#)

will enhance long-term investment outcomes as well as benefiting the economies and societies in which the Fund invests, and is therefore consistent with the Fund's primary purpose.

3. Environmental Implications

- 3.1 The purpose of this report is to continue discussion about future reporting around carbon metrics and priorities with an awareness that data collection remains a limiting factor.

4. Supporting Information

- 4.1 Appendix 1 – Climate Risk Report (Hymans Robertson)

Background Papers

13 June 2022 PFISC, [Agenda Item 4: Carbon Footprint Report](#)

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The report was circulated to the following members prior to publication:

Local Members: Cllrs Kettle and Gifford

Other members: n/a