

Item No. 10.	Classification: Open	Date: 29 September 2021	Meeting Name: Pensions Advisory Panel
Report title:		Environmental, Social and Governance (ESG) Priority Allocation	
From:		Senior Finance Manager, Treasury & Pensions	

Recommendations

1. The pensions advisory panel is asked to:
 - a) Note that at the manager assessment sessions held on 28 July and 22 September 2021, Blackstone Capital Holdings GP Stakes Fund II; BTG Pactual Open Ended Core US Timberland Fund; and Darwin Bereavement Services Fund were considered the most suitable investment opportunities for the new ESG Priority Allocation.
 - b) Note that the Temporis Impact Fund was also identified as an investment opportunity to continue the pipeline in the 5% allocation to the sustainable infrastructure portion of the Fund's agreed strategic asset allocation.
 - c) Recommend that the Fund makes commitments within the ranges set out below to each of the above investments, subject to legal due diligence:
 - i. Blackstone Capital Holdings GP Stakes Fund II (£50-£60m)
 - ii. BTG Pactual Open Ended Core US Timberland Fund (£25-30m)
 - iii. Darwin Bereavement Services Fund (£20m)
 - iv. Temporis Impact Fund (£20-40m)

Background

2. As part of the 2020 investment strategy review, the PAP agreed to a strategic asset allocation of 15% of the Fund to a new ESG Priority Allocation. The allocation includes the following:
 - 5% sustainable infrastructure (Temporis, BlackRock and Glennmont)
 - 5% non-core property (Brockton, Frogmore, M&G and Invesco)
 - 5% to be allocated to investments with strong environmental, social and governance (ESG) credentials, which also support the commitment to reduce the Fund's exposure to fossil fuels.
3. A range of available illiquid investment funds were considered for the ESG priority allocation. It is recognised that investment opportunities in this area vary in strategy, fund structure and the degree of ESG integration and impact.

Assessment

4. Attendees at the assessments were:
 - PAP Voting Members – Cllr Rebecca Lury, Cllr Eliza Mann, Caroline Watson, Barry Berkengoff
 - Officers - Duncan Whitfield, Tim Jones
 - Investment Advisors – Colin Cartwright, Jonathan Taylor, David Cullinan.
5. Investment managers were asked to present information to the assessment panel covering the investment strategy objectives, prospective investment assets, team capacity for delivery, risks, fees, as well as how the investment would meet the Fund's stated commitment to achieve net zero carbon by 2030.
6. Following all the fund presentations the panel considered the relative strengths and weaknesses within each fund on a standalone basis, in regard to diversification from existing Fund assets and the extent to which the investment strategy aligned with the Fund's investment objectives.

Commitments

7. The allocations to each of the funds are subject to the passing of investment and legal reviews of the terms and conditions. Sizing will be adjusted depending on the overall pension fund value as at the time of investment as well as upon further analysis on the scale of drawdown of commitments and cash flow returned.
8. The investment in Temporis is within the context of continuing the pipeline in the 5% allocation to the sustainable infrastructure portion of the Fund's strategic asset allocation. The actual capital drawn down for investment to date represents 2.1% out of the target 5% exposure. Such an allocation to Temporis may eventually lead to a temporarily higher than target exposure, but should on average bring the Fund closer to the target exposure in sustainable infrastructure.

Recommended Selection

9. It was agreed that the Blackstone Capital Holdings GP Stakes Fund II; BTG Pactual Open Ended Core US Timberland Fund; Darwin Bereavement Services Fund; and the Temporis Impact Fund offered the most attractive investment opportunities for the Fund. A summary of each fund is included as Appendix A and the manager presentations provided to the selection panel are included as Appendix B.
10. PAP is asked to recommend commitments to each fund within the ranges set out in paragraph 1, point c of this report.

APPENDICES

Appendix	Title
Appendix A (closed agenda)	Summary of recommended investments
Appendix B (closed agenda)	Manager presentations

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Caroline Watson, Senior Finance Manager, Treasury and Pensions	
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Dated	28 September 2021	
Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Director of Law and Governance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
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