

Item No. 10.	Classification: Open	Date: 6 March 2023	Meeting Name: Pensions Advisory Panel
Report title:		Zero Carbon Investment Strategy: Implementation Progress Update	
From:		Senior Finance Manager, Treasury & Pensions	

Recommendation

1. The pensions advisory panel is asked to:
 - Note recent progress in the implementation of the net-zero carbon strategy, as set out in this report.

LGIM Low Carbon Transition Fund

2. Following a review of opportunities to move the holdings in the Legal and General (LGIM) Low Carbon Target Index Fund to an alternative fund that would further progress the net-zero carbon objectives, the LGIM Low Carbon Transition Fund was identified as the most suitable option.
3. Half of the holding in the Low Carbon Target Index Fund (c.£165m) was transitioned to the Low Carbon Transition Fund in January 2023. The investment performance and carbon footprint of the new holding will be monitored for six months and, subject to satisfactory performance, the balance will be transitioned in July 2023. This approach will protect the Fund against the risk of underperformance.
4. A report setting out details on the Low Carbon Transition Fund was tabled at the October 2022 PAP meeting.
5. It is expected that the transition of assets will have a positive impact on the Fund's carbon footprint going forward. It is estimated that the weighted average carbon intensity of this holding will reduce by a third.

Temporis Renewable Energy Fund

6. The recommendation to invest £30m in the Temporis Renewable Energy Fund was approved by PAP in December 2022. The full investment was drawn down by Temporis in mid-December. This holding adds to the Fund's strategic allocation to sustainable infrastructure, and is within the zero-carbon category. As such, it will assist in progressing the Fund's net-zero carbon target.

Multi Asset Credit

7. As part of the recent investment strategy review, PAP agreed to a new 10% strategic allocation to multi asset credit, which will be funded from the legacy absolute return bond and diversified growth holdings.
8. Aon have provided a shortlist of proposed managers who will present to a selection panel on 9 March. The shortlisted managers are as follows:
 - i. LGIM Global Diversified Credit SDG Fund
 - ii. Robeco Climate Global Credits Fund
 - iii. Abrdn Climate Transition Bond Fund.
9. Following the selection process, a recommendation to appoint the preferred manager(s) will be ratified at the June 2023 PAP meeting.

Further Areas of Progress

10. Further potential opportunities with new and existing managers in asset classes such as sustainable infrastructure, property, and wider alternatives, are being pursued by officers in conjunction with Aon. PAP will be updated on progress in these areas at future meetings.

Community, Equalities (including socio-economic) and Health Impacts

Community Impact Statement

11. No immediate implications arising.

Equalities (including socio-economic) Impact Statement

12. No immediate implications arising.

Health Impact Statement

13. No immediate implications arising.

Climate Change Implications

14. No immediate implications arising.

Resource Implications

15. No immediate implications arising.

Legal Implications

16. No immediate implications arising.

Consultation

17. No immediate implications arising.

Financial Implications

18. There are no immediate implications arising.

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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Key Decision?	N/A	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive – Governance and Assurance	N/A	N/A
Strategic Director of Finance and Governance	N/A	N/A
Cabinet Member	N/A	N/A
Date final report sent to Constitutional Team	24 February 2023	