

Item No. 9.	Classification: Open	Date: 17 July 2023	Meeting Name: Pensions Advisory Panel
Report title:		Carbon Footprint Update – 31 March 2023	
From:		Interim ESG Manager	

1. The pensions advisory panel is asked to note the fund's updated carbon footprint as at 31 March 2023.

Since December 2018, the Fund has engaged Sustainalytics to assist with assessments of the CO2 equivalent exposure of its equity holdings. The table below sets out the weighted carbon intensity by asset class against September 2017.

Weighted Carbon Intensity over time

		Weighted Carbon Intensity tCO2e/\$m										
		Sept 2017	Dec 2020	March 2021	June 2021	Sept 2021	Dec 2021	March 2022	June 2022	Sept 2022	Dec 2022	March 2023
Asset Class	Fund Managers											
Equity - Developed	Blackrock, LGIM	98.7	20.4	23.0								
Equity - Developed Market Low Carbon	Blackrock, LGIM		23.7	24.2	25.5	29.8	51.1	51.0	33.2	24.9	20.6	17.5
Equity - Emerging Markets	BlackRock, Comgest	18.1	15.0	19.1	18.3	0.5	0.5	0.2	0.2	0.2	0.2	0.4
Equity - Global	Newton	10.6	7.0	4.4	4.6	4.3	4.5	5.8	5.9	5.6	4.0	6.9
Diversified Growth Fund	Blackrock	26.7	16.0	15.6	14.2	15.8	17.1	16.5	13.7	14.4	10.7	12.6
Absolute Return Bonds	Blackrock	22.4	8.7	10.0	9.8	10.2	8.7	6.8	11.2	12.5	14.0	19.6
Core Property	Nuveen	14.3	12.0	10.6	10.5	10.7	11.2	12.0	12.9	12.7	11.2	1.8
ESG Priority Allocation - Property	Invesco, M&G, Brockton, Frogmore	8.8	9.5	10.9	11.0	10.9	4.4	4.6	5.0	5.0	5.1	4.8
ESG Priority Allocation - Alternatives	BTG Pactual, Blackstone, Darwin							0.1	0.2	0.3	0.3	0.5
Sustainable Infrastructure	Blackrock, Glennmont, Temporis											
IL Gilts	Blackrock, LGIM	14.0	14.0	14.0	26.0	25.2	25.4	24.2	20.6	19.5	20.9	21.4
Cash And Equivalent	Blackrock, Nuveen, Newton	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Weighted Carbon Intensity		213.7	126.3	131.7	120.0	107.3	122.9	121.4	102.9	95.1	87.1	85.5
Total Change in Footprint			-40.9%	-38.3%	-43.8%	-49.8%	-42.5%	-43.2%	-51.9%	-55.5%	-59.2%	-60.0%

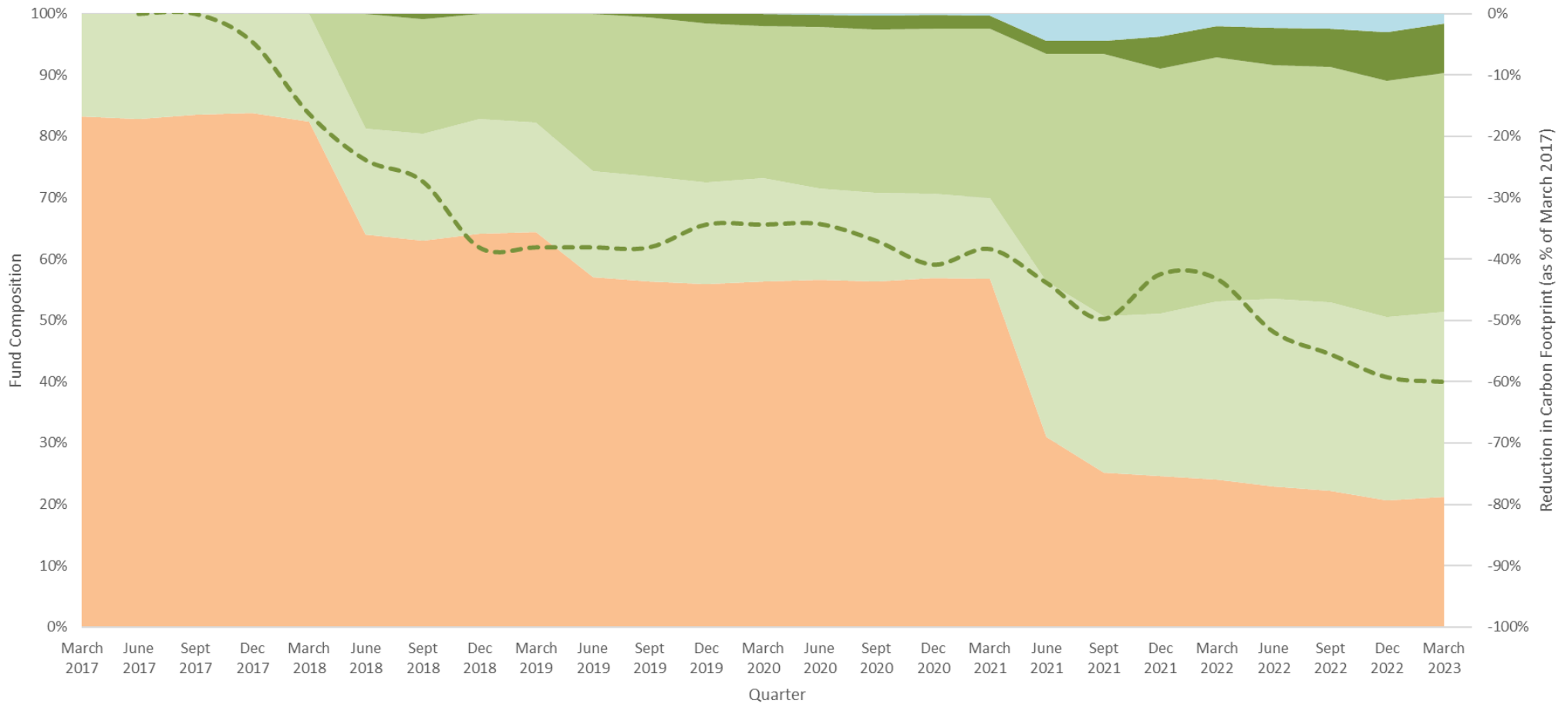
Results

2. The results for 31 March 2023 show that the improvement in the carbon footprint reduction for the Fund continues. Since September 2017, The Fund has reduced its weighted carbon intensity by 60%.
3. The reduction in the quarter to March 2023 has been driven by a combination of movement of capital (both existing capital commitments and transition from legacy investments) to zero and low carbon investments and more accurate carbon calculations available for our core property assets. Reduction in carbon footprint has however been slightly negated by an increase in emissions from the absolute return bonds. We are working to identify replacement investments for holdings in absolute return bonds to improve our carbon footprint over time.
4. The unweighted exposure for each investment is set out below ranked in order of carbon footprint, from lowest to highest exposure.

Unweighted Carbon Intensity		Unweighted Carbon Intensity tCO2e/\$m March 2023
Asset Class	Fund Manager(s)	March 2023
Cash And Equivalents	Blackrock, Nuveen, Newton	0.00
Equity – Emerging markets	Comgest	9.25
Core Property	Nuveen	18.00
ESG Priority Allocation - Alternatives	Blackrock, Blackstone, BTG Pactual, Glennmont, Temporis	27.76
Diversified Growth	Blackrock	179.00
Global Equity	LGIM, Blackrock, Newton	226.40
Absolute Return Bonds	Blackrock	295.20
ESG Priority Allocation - Property	Brockton, Frogmore, Invesco, M&G	430.80
Index Linked Gilts	Blackrock, LGIM	564.80
Total		1751.21

5. During the year, there has been an increase in holdings in the zero carbon, low carbon and reduced carbon investments, resulting from drawdown of existing capital commitments, including to an additional sustainable infrastructure fund.
6. The total funds moved from legacy to zero/ low/ reduced carbon investment categories is £50.4m.
7. The carbon footprint reduction infographic (set out below, with further information on the following page) has been produced in order to demonstrate the changes in the composition of the Fund in terms of carbon emissions against the reduction of the carbon footprint over time. The graph is intended for use as a way of easily displaying the Fund's progress towards net zero and can be easily updated over time.

Composition of the LBS Pension Fund and Carbon Footprint Reduction since March 2017





LEGACY INVESTMENTS: Investment products that are not actively targeting reduced carbon emissions. Some of these may potentially have exposure to fossil fuels; however we are working to understand the extent of this and will address this in our strategy going forwards. The Fund intends to make no new investments in such products.

REDUCED CARBON: Investments either in property or in funds with specific oil and gas exclusions.

LOW CARBON: Funds specifically set up as 'low carbon' funds. All products within this category are currently index tracking developed market equities.

ZERO CARBON: Investments in vehicles that produce zero carbon or in some cases have a measurable offsetting impact on carbon emissions. Currently this category contains sustainable infrastructure products.

CASH: Held in the pension fund, usually pending anticipated drawdown requests or in advance of an acquisition.

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

Community Impact Statement

8. There are no immediate implications arising.

Equalities (including socio-economic) Impact Statement

9. There are no immediate implications arising.

Health Impact Statement

10. There are no immediate implications arising.

Climate Change Implications

11. There are no immediate implications arising.

Resource Implications

12. There are no immediate implications arising.

Legal Implications

13. There are no immediate implications arising

Consultation

14. There are no immediate implications arising.

Financial Implications

15. There are no immediate implications arising.

AUDIT TRAIL

Lead Officer	Clive Palfreyman, Strategic Director, Finance	
Report Author	Spandan Shah, Interim ESG Manager	
Version	Final	
Dated	7 July 2023	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	7 July 2023	