

Warwickshire Pension Fund

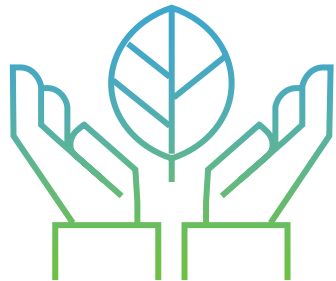
AGM 2023 – Responsible Investment Update

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Warwickshire Pension Fund - Responsible Investment Policy

*“The Pension Fund Investment Sub-Committee recognises that **Environmental, Social and Governance** considerations pose a financially **material risk** as well as an **opportunity** to the Fund and have the potential to significantly affect long-term investment outcomes”*

“The Committee considers Responsible Investment to have two key components:”



ESG Integration

Considering the financial impact of ESG factors in investment decision-making

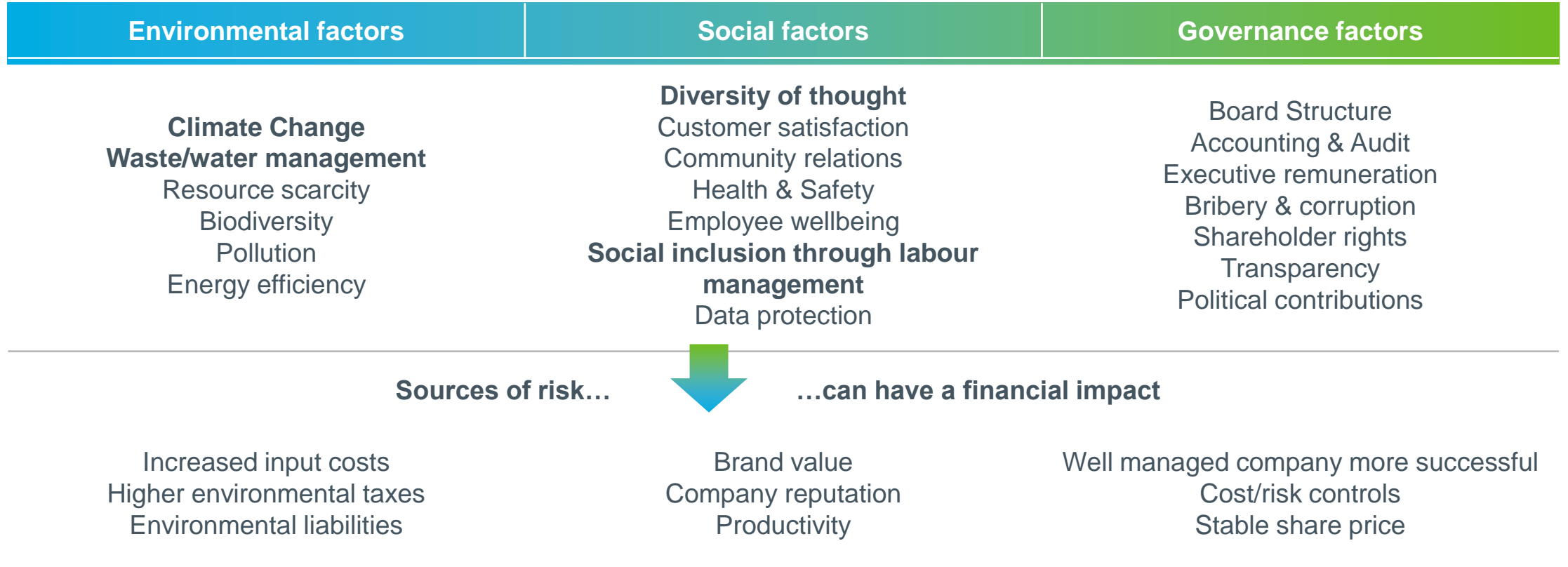


Effective stewardship

acting as responsible and active investors, through pro-active engagement with portfolio companies

*“The Committee expects all the Fund’s **investment managers to embed ESG factors** into their investment decision-making processes and stewardship activities, with a focus on long-term sustainable returns.”*

Which ESG factors?



Key climate risks

Physical risks

- Direct effects from the climate itself.
- E.g. in short-term, damage to property and business disruption due to extreme weather events.
- E.g. in long-term, changing rainfall patterns affecting agricultural yield and local workforce availability.

Transition risks

- Risks associated with the transition to a low carbon economy.
- Could materially reduce value of, or income generated by, assets.
- E.g. “stranded assets” where a company/sector is unable to extract value from an asset due to restrictions on its activities leading to a collapse in its value.

Liability risks

- Where third parties have suffered damage or losses and seek compensation.
- E.g. lawsuits filed against oil companies for historical failure to acknowledge climate risks to its business.

Climate Opportunities



Clean Energy

- Renewable generation
- Next Generation Grid
- Hydrogen
- Battery storage



Transport

- Electric vehicles
- Charging
- Low carbon fuels



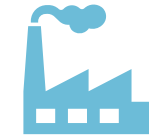
Agriculture

- Food production
- Alternative proteins
- Biodiversity
- Water management



Technology

- Emissions tracking/reporting
- Climate modelling
- Energy management



Industry

- New generation plastics
- Low carbon cement/steel
- Automation
- Energy efficiency

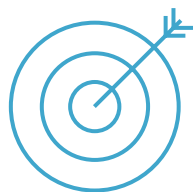


Sequestration

- Carbon capture and storage
- Direct air capture and storage
- Forestry

Climate objectives and strategy

Targets and metrics



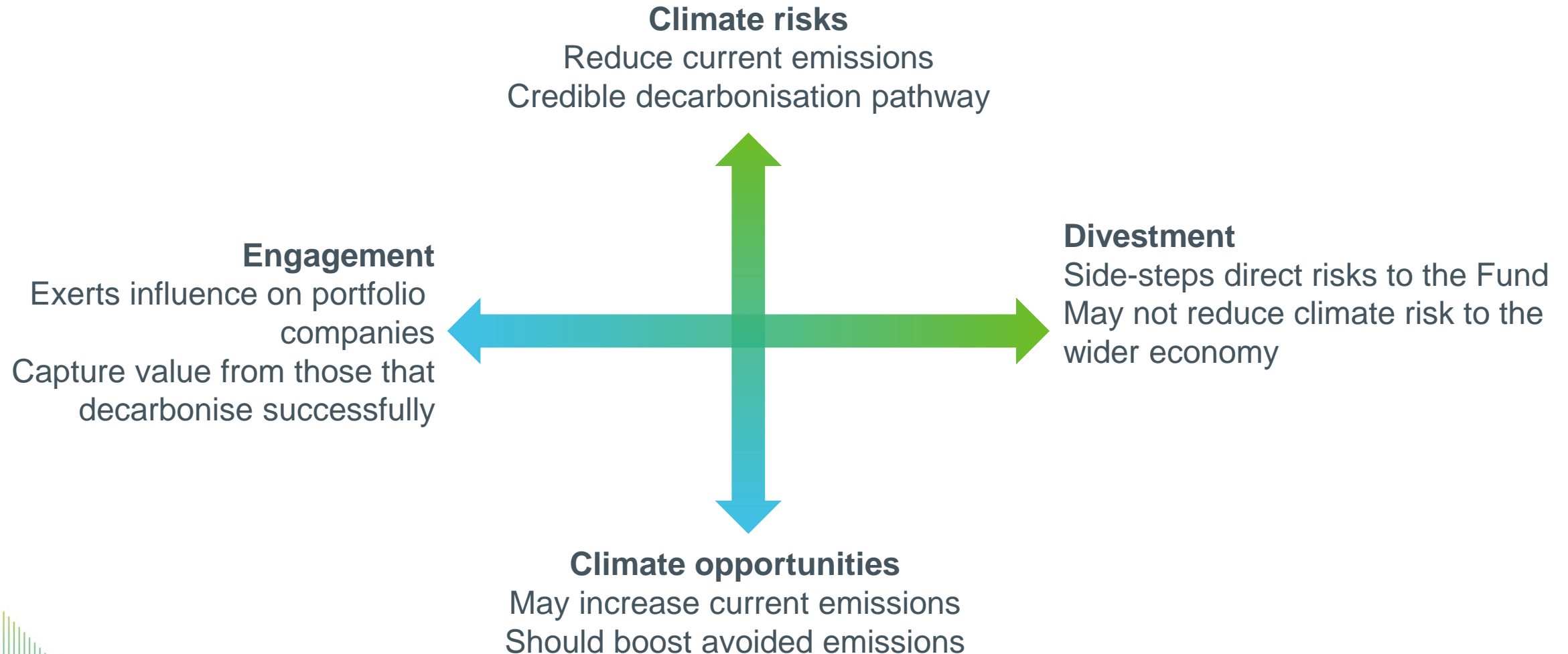
- Provisional goal is to achieve Net Zero moderately ahead (5 years) of the economies in which the Fund invests, but not later than the prevailing global target date (currently 2050)
- Provisional objective is to reduce emissions intensity in 2030 by 35% (relative to 2021 baseline)
- Further work underway to assess the implications of these objectives and to develop a plan for achieving them
- Range of climate metrics defined and work underway to apply them across the portfolio

Strategy and policy



- Transparency – monitoring and reporting
- Capital reallocation – strategic asset allocation, mandate specification, portfolio company
- Stewardship/engagement – with investment managers and portfolio companies
- Policies on Responsible Investment, Climate Change and related issues such as engagement vs divestment – ongoing review of Fund's and investment managers' policies

Climate change – two key tradeoffs



Actions undertaken

Transparency

- Second carbon footprint report published – as at March 2022, covering nearly all listed assets
- Working to extend scope to cover private markets and Scope 3 emissions
- Climate change integrated into manager reporting

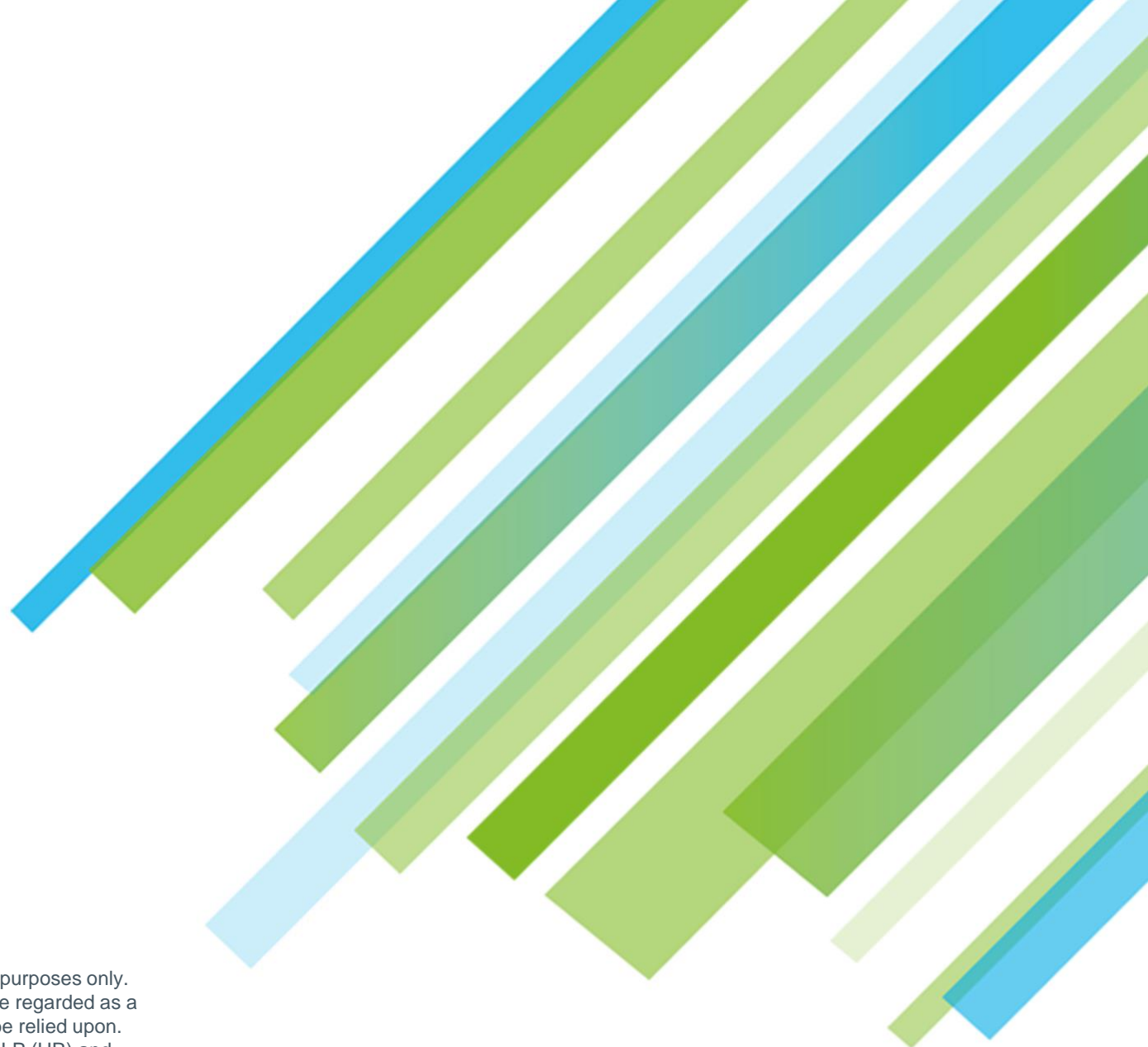
Capital reallocation

- £50m commitment to BTC Infrastructure Series 2b – invests in assets critical to decarbonisation eg energy transition, digital revolution
- £120m commitment to lower emissions versions of existing strategies
- Approach to climate change is a key criteria in evaluation of new managers engaged during the year - BTC, LGIM, IFM, Barings and ICG
- Considering investment in BTC Climate Opportunities Fund II

Stewardship

- Effective stewardship key to achieving Net Zero
- Regular engagement with investment managers on climate change
- Engagement by managers with portfolio companies, eg BTC conducted 1,860 engagements and voted on more than 13,000 resolutions on a range of ESG issues during 2022-23

Thank you



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