



City of Westminster

Pension Board

Date: 27 November 2019

Classification: General Release

Title: Carbon Exposure Report

Wards Affected: All

Policy Context: Effective control over council activities

Financial Summary: There are no immediate financial implications arising from this report, although investment performance has an impact on the Council's employer contribution to the Pension Fund and this is a charge to the General Fund.

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1. EXECUTIVE SUMMARY

1.1 This paper summarises:

- The carbon footprint of the Pension Fund's current equity and property portfolios.

2. RECOMMENDATIONS

2.1 That the Pension Board notes and comments on the report findings.

3. CARBON EXPOSURE

3.1 The attached Appendix 1 breaks down the Pensions Fund's carbon exposure, which is broken down into three main areas:

- **Carbon and Environmental Intensity:** This is broadly the amount of carbon produced by the equity investments on a relative basis.

- **Fossil Fuel / Stranded Assets:** This is fossil fuel exposure for which the Fund is responsible.
 - **Energy Transition:** This is how much energy contributes to the “energy transition” or assisting to offset carbon in the future.
- 3.2 The Pension Fund’s equity allocation shows that investment manager, Baillie Gifford, has significantly less exposure to carbon intense and fossil fuel assets than the LGIM index-tracker equities portfolio and the Majedie equities portfolio.
- 3.3 The attached report also shows the MSCI World Low Carbon Index exposure as a comparator to the Fund’s current equity allocations.
- 3.4 The Pension Fund property portfolio is also responsible for carbon emissions. However, it is quite difficult to accurately estimate, due to the occupancy of the properties by individual tenants.
- 3.5 With regard to one of the Fund’s property managers, Hermes, the report enables a positive narrative, with carbon emissions reducing by 44% over the year.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1: Carbon exposure report