Appendix A

PENSIONS COMMITTEE

2ND DECEMBER 2021

QUESTIONS FOR WRITTEN REPLY

1. **From Jamie Devine to the Chairman of the Pensions Committee**

https://www.forbes.com/sites/feliciajackson/2021/03/19/global-renewables-investment-return-7-times-higher-than-fossil-fuels/
According to Forbes Business magazine renewable energy, investment returns are seven times greater than those of fossil fuels. To what extent, in terms of value, has the Council's pension investments moved from fossil fuels to renewables in the last three years?

Reply:
That greenhouse gas emissions are a major cause of climate change is, I believe, undeniable. There are now an increasing number of stock market indices which focus on only investing in low carbon emitting companies and many passively managed portfolios have been constructed by asset managers to mimic these indices. However, in my opinion, focusing purely on environmental issues when investing is as erroneous as focusing purely on financial issues has been in the past and I would far rather have my investments managed by asset managers who analyse companies in depth by looking at all potential variables including both financial and environmental. The Fund invests purposely through asset managers who adopt a long-term investment philosophy and who place a very strong emphasis on analysing their investments in depth and then buying and holding those investments which fit that investment philosophy for the long-term. The average holding period for a stock in both of the Fund's global equity portfolios is between 5 and 8 years. By investing on this timescale, environmental issues such as climate change have to be considered as part of the investment thesis. I have held meetings with each of the Fund's asset managers, as have the Chair, Vice Chair and Officers, over the last two years on ESG issues and believe, in each case, that the manager has embedded climate issues into their investment analysis. The investment philosophy used by Baillie Gifford to manage the Fund's High Alpha Global Equity portfolio, focusses on fast growing companies which tend to have a small asset base and concentrate on intellectual capital rather than fixed assets and, therefore, the portfolio has a low exposure to manufacturing and hence carbon emissions. The global equity portfolio managed by MFS, whist having a greater exposure to manufacturing, is again managed to an investment philosophy which is less likely to focus on carbon intensive industries. The Fidelity Fixed Interest and Property portfolios also analyse the environmental impacts of their investments. In each case the resultant portfolio should be expected to produce less carbon emissions than the comparative index. It is slightly harder to show this issue for the Fund's two Multi - Asset Income portfolios because they both invest partly via third party funds where it is harder to collect the data. In order to illustrate the carbon intensity of the Fund I have asked each manager to provide the CO2 equivalent (CO2e) of six recognised greenhouse gases covered by the Kyoto protocol (CO2, CH4, N2O, HFC's, PFC's

and SF6) and to show these as tonnes of CO2 equivalent per £m of turnover aggregated to the portfolio level. This gives a comparable carbon footprint for each portfolio and their respective index where possible.

Portfolio	tCo2e/£m	Benchmark equivalent.	Benchmark
Baillie Gifford Global Equity	140.0	201.0	MSCI All Countries World
MFS global Equity	148.36	184.9	MSCI World (Developed Markets only)
Fidelity Multi-Asset Income	224.69	n/a	
Schroders Multi-Asset Income	n/a		
Fidelity Fixed Interest	93.4	172.1	Composite Fixed Interest benchmark
Fidelity UK Property	?	n/a	

I believe these figures to be comparable, they are expressed as a carbon equivalent per million pounds of turnover at the company level. Where there is a comparable index figure the Fund's assets are managed with a noticeably lower carbon intensity that the index. Because of the multi-asset nature of the Multi-Asset Income portfolios it is not possible to provide a benchmark figure for carbon emissions for these two portfolios. In addition, due to a miss communication on my part, I have not received the figures from Schroders for their portfolio at the time of writing and Fidelity are unable at present to provide this data for the UK Property portfolios but are inserting clauses in all new leases which require tenants to report such figures. Each manager has also noted a small number of companies where they are currently unable analyse this data, this is mainly for emerging market companies and where the portfolio is invested in third party funds. I will continue to discuss with each manager the best way to report this data going forward and suggest it should be reviewed at least annually with the intention of seeing the Carbon intensity of the Fund's portfolios fall over time. This may be hampered in the short term by filling out the missing data.

2. From Jamie Devine to the Chairman of the Pensions Committee

According to Forbes Business magazine renewable energy, investment returns are seven times greater than those of fossil fuels. What is the Committee's view on moving their current fossil fuel funds to renewable energy funds to maximise the benefits for scheme members?

Reply:
The Fund continues employ asset managers who analyse companies and invest in them for the long-term. Because of this long-term approach, issues such as climate change become integral to the future prospect of each company and are analysed as such. The Fund continues to have a relatively low exposure to fossil fuels compared to a comparative index.