

Appendix B: NZCS Implementation Plan

February 2023

Actions have been split into three broad areas:

- Strategic Actions
- Actions linked to NZCS Targets, and approach to investment decisions.
- Stewardship, Engagement and Divestment

Date Key	
Short term	2024-2026
Medium Term	2026-2030
Long term	2030+
Acronym Key	
NZCS	Net Zero Climate Strategy
CRR	Climate Risk Report
SAA	Strategic Asset Allocation
FSS	Funding Strategy Review
ISS	Investment Strategy Statement
TCFD	Task Force for Financial Related Climate Disclosure
LAPFF	Local Authority Pension Fund Forum

Strategic	Action	How	Timeline
Risk	Identification and assessment of current and forward-looking climate risks to the Fund.	CRR, Climate Scenario Analysis, Risk Register.	Ongoing
Risk	Climate Scenario Analysis to be undertaken biennially.	LGPS Central, CRR	Ongoing
Partnership	Working with LGPS Central to support the approach to Governance and Strategy of Net Zero by 2050.	LGPS Central.	Ongoing
Partnership	Identifying opportunities and work with others to investigate best practice in reviewing and managing climate risk.	LGPS Central, others.	Ongoing
Partnership	Development of Net Zero alignment targets and goals for engagement. Following best practice in how best to report using tools available.	LGPS Central, CRR	2023/24
Governance	Incorporation of the Net Zero Climate Strategy considerations into any strategies and policies as fall under review, such as the LPC Terms of Reference.	Review of Scheme Documentation.	2023/24
Review	Monitoring progress towards targets and objectives annually. As set out in the following table.	LGPS Central, CRR	2023/24
Communication	Communicate with scheme members and employers' regarding climate risk to the Fund.	Communication and Administration Strategy, Website, Summary Document	2023/24
Strategy	Setting an Investment Strategy and making investment decisions in line with Net Zero by 2050, with an ambition for sooner.	NZCS, ISS, Strategic Asset Allocation	2023/24
Strategy	Develop strategic approach to engagement and lobbying of investment managers and companies in line with NZCS	Stewardship Plan	2023/24

Strategic	Action	How	Timeline
Governance	Continue to publish climate financial risks assessment annually in line with TCFD recommendations, and what arises from Government's TCFD consultation. As well as approach to the Strategy.	CRR, TCFD Report	2023/24
Governance	Retain and publish a clear action plan disclosing information on governance, strategy, metrics and targets and management in relation to achieving alignment to Net Zero.	NZCS, Implementation Plan	2023/24
Review	Reviewing targets at least every three years with a view to refining targets when asset coverage is expanded and taking into account global developments.	NZCS	Short term
Valuation	Incorporation of the results of the next triennial actuarial valuations into view of risk to the Fund. Including any further developments with regard to the Government Actuary's Department climate reporting guidelines. To ensure that the current investment allocation is appropriate to meet the required investment return to fund future pensions within a suitable risk profile. Where investment underperformance is identified or risk profile changes, any subsequent reallocation will be considered with regard to the Fund's climate objectives.	Triennial Actuarial Valuation and ISS and FSS review	Short/Me dium Term
Strategy	Aligning the Fund to Net Zero for portfolio emissions by 2050, with an ambition for sooner.	CRR, NZCS	Long term

Targets/Investment Approach	Action	How	Timescale
Net Zero by 2050, with an ambition for sooner.	Identifying variants of asset classes that use more systematic approaches to reduce carbon intensity and increase exposure to climate solutions in line with following targets. Including managers with specific sustainability themes.	SAA, Investment Advisor, Investment Decision	Ongoing
Increase the Fund's exposure to 'climate solutions.	Consider specialised investment products as opportunities arise. Including mandates that may include metrics such as climate solutions as a percentage of a portfolio.	SAA, Investment Advisor, Investment decisions (new and current managers), renewable energy weighting.	Ongoing
Review	Working with LGPS Central on development of Net Zero Targets/Measures and related objectives supportive of the Fund.	LGPS Central, CRR	Ongoing
Investment Approach	Assessment of investment manager's approach to responsible investment as part of selection and due diligence.	Manager Monitoring, Investment Subcommittee, Investment Advisor	Ongoing
Investment Approach	Ongoing dialogue with Managers on processes managing climate change as a material investment risk.	Manager Monitoring, Manager Questionnaire, Investment Subcommittee, Investment Advisor	Ongoing

Targets/Investment Approach	Action	How	Timescale
Reduce the Fund's exposure to fossil fuel reserves.	Review the Fund's fossil fuel exposure. To be considered as part of the review into the Fund's equity holdings 2023.	SAA, equity portfolio review, investment decisions, investment advisor.	2023/24
Reduce the Fund's exposure to fossil fuel reserves.	Monitor the Fund's exposure to fossil fuel reserves. The Fund will review its managers and SAA where they are not aligned with the Fund, as above.	SAA, investment decisions, Manager Monitoring	2023/24
Increase the Fund's exposure to 'climate solutions.	Monitor the Fund's exposure to climate solutions. The Fund will review its managers and SAA where they are not aligned with the Fund.	SAA, investment decisions, Manager Monitoring	2023/24
90% of the Fund's assets under management in material sectors are classified as achieving Net Zero, aligned or aligning by 2030.	The Fund will work with LGPS Central to set alignment targets, which will be based on criteria by Climate Action 100+ Net Zero Company Benchmark and the Transition Pathway Initiative, in line with the Institution Investors Group Framework. Where the Fund feels there are gaps, or lack of confidence in the data provided the Fund will supplement its view tools available to LGPS Central.	LGPS Central, CRR	2023/24
2030: Increase asset coverage analysed to 90%	Monitor the funds asset coverage and increase asset coverage in line with later table.	LGPS Central, CRR	2023/24
Investment Approach	Managers that have signed up to net zero targets should run portfolios that reflect that. Where that is not the case the Fund will look to engage with them to set credible targets.	Manager Monitoring, Investment Subcommittee, Investment Advisor	2023/24
2030: 90% of the Fund's financed emissions are classified as achieving Net Zero, aligned or aligning, or subject to an engagement programme to build that about.	Monitor the percent of the Fund's financed emissions that are achieving, aligned, or aligning or subject to an engagement programme. To be supported through the approach to engagement and stewardship as set out in the next table.	LGPS Central, EOS Hermes, Stewardship Plan	Short term
Investment Approach	Reviewing and developing investment mandates to increase alignment with the NZCS. Including development of a climate-aware investment strategy, and climate solutions investments with the Investment Advisor. To include Annual review process to monitor the progress made by investment managers in implementing emissions reductions on a fund-by-fund basis and identify any laggards who require closer monitoring and engagement.	Investment Advisor, Manager Monitoring, Manager Questionnaire	Short term

Targets/Investment Approach	Action	How	Timescale
90% of the Fund's assets under management in material sectors are classified as achieving Net Zero, aligned or aligning by 2030.	Supported by continuous approach to Engagement and Stewardship. Can be supported through consideration of specialised investments that have forward looking metrics that capture companies transition potential.	SAA, Investment Advisor, Manager Monitoring, Stewardship Plan.	Short / Medium
Investment Approach	Replacement of managers that cannot explain their climate risk strategies robustly and credibly, engagement is ineffective, and the net zero trajectory is not aligned.	Manager Monitoring, Investment Subcommittee, Investment Advisor	Short / Medium
Achieve a 40% reduction in absolute carbon emissions for the equity portfolio by 2030	The Fund will continue to monitor the Fund's absolute carbon emissions for the equity portfolio. The Fund will review its equity holdings where this is not in line with the target.	NZCS, SAA, Investment Decisions, equity review.	Medium Term
2030: Halve the carbon intensity of the Equity portfolio.	Monitor the Fund's carbon intensity for the equity portfolio. The Fund will review its equity holdings where this is not in line with the target. Future mandates may look to consider metrics such as CO2e/£m invested (at least scope 1 and 2) where appropriate.	SAA, equity portfolio, investment decisions.	Medium Term
Operational targets: Leicestershire County Council Net Zero (Scheme Manager) net zero operations by 2030.	Leicestershire County Council, as the Fund's Scheme Manager, have their own Net Zero 2030 Action Plan.	Leicestershire County Council	Medium Term
Operational targets: LGPS Central Net Zero operations by 2030.	The Fund must continue ongoing engagement with LGPS Central for them to set their own target.	LGPS Central	Medium Term
2030: Increase asset coverage analysed to 90%	Work with LGPS on remaining assets and improving reporting, on asset classes such as Infrastructure and Scope 3 that currently do not have frameworks within the IIGCC. In the meantime, the Fund will ask managers to complete annual manager questionnaires and consider how data can be utilised.	Table below. LGPS Central, appropriate framework from IIGCC or other relevant best practice	Medium Term
Net Zero by 2050, with an ambition for sooner.	Future decisions, engagement, and investment approach to support the long-term ambition, and targets and measures set out in order to support the transition to Net Zero for the Fund, and the wider economy.	NZCS, ISS, SAA, Investment Decisions	Long term

Stewardship, Engagement and Divestment	Action	How	Timeline
Evaluation	Monitor engagement coverage with appointed Investment Managers, and partners.	Quarterly LGIM, LAPFF, LGPS Central and any other Investment Managers reports.	Ongoing
Voting	Strong encouragement that managers should vote in line with their guidelines in respect of all resolutions at annual and extraordinary general meetings of companies under Regulation 7(2)(f).	Investment Managers	Ongoing
Voting	Circulating LAPFF Voting alerts to Investment Managers where appropriate.	LAPFF, Investment Managers	Ongoing
Voting	Monitoring voting progress reporting quarterly.	LGPS Central Quarterly Voting updates.	Ongoing
Engagement	Support LAPFF, Central and any other relevant partners in their engagement with companies and policy to promote best practice climate aware business activities. Including, but not limited to, top carbon emitters, material sectors, and financial sectors that support high emitting companies.	Stewardship Plan	Ongoing
Evaluation	Assessing Fund Managers Net Zero targets for financed emissions, to feed into engagement approach.	Manager Questionnaire	2023/4
Evaluation	Assessing Fund Managers with Net Zero targets for their operations, to feed into engagement approach	Manager Questionnaire	2023/4
Evaluation	Assessing Managers approach to climate change to ensure they are managing the risks and opportunities effectively and engaging with companies. <ul style="list-style-type: none"> This will begin initially with the infrastructure asset class and managers JP Morgan, Timberland, Quinbrook and LGPS Central Other asset classes to follow as deemed appropriate, dependent on factors such as allocation size and exposure to climate risk or consideration as part of asset class review. 	Manager Monitoring, LPC Presentations, Mandate reviewing, Manager Questionnaire	2023/4
Evaluation	Further development of evaluation of engagement progress. With CA100+, TPI, and best practice available to LGPS Central.	CRR, LGPS Central, Stewardship Plan	2023/4
Engagement	Engaging with Investment Managers to ensure they are setting appropriate net zero targets, and managing their portfolios in line with targets, and have set operational targets, and are performing in line with them.	Manager Engagement	2023/4
Engagement	Direct engagement activity planned and prioritised material holdings in high emitting sectors	Stewardship Plan, LGPS Central	Short term
Engagement	Strengthening engagement and stewardship coverage of Fund Assets, considering impact to the Fund i.e., focusing on companies with most impact to the Fund in terms of	Stewardship Report, CRR	Short term

Stewardship, Engagement and Divestment	Action	How	Timeline
	financed emissions and carbon intensity.		
Engagement	Consider joining initiatives, working groups that add value to the Fund, if not already covered through investment managers and Central. Including any escalation approaches.	LGPS Central, LAPFF, other groups and initiatives.	Short term
Divestment	Reconsider approach in light of consideration of Fund holdings if they are appropriately managing climate risks to enable alignment with the Paris Agreement. Considering different investment mandates and starting points. As well as engagement effectiveness.	CRR, LGPS Central, SAA, Investment Advisor	Short/Medium
Divestment	Divestment from managers that cannot explain their strategies robustly and credibly. Where they are unable to clearly explain out how they manage climate risk the Fund can look to manage down exposure, not reinvest, or replace them.	Investment Advisor, Manager Monitoring	Short/Medium
Divestment	Dialogue with Managers: Supporting divestment from specific fossil fuel and other carbon-intensive companies that present a material investment risk – such as ‘stranded assets’ following managers analysis. Managers should analyse the companies and entities they invest in and justify their investments in companies with higher GHG emissions.	Manager Monitoring, Manager Questionnaire, Meeting with Managers	Short/Medium

Asset Class	Action	Year	Coverage of asset class as of 31 December 2022
Listed Equity	Include within CRR	2022	45%
Corporate Bonds	Mapping of intensity metrics.	2023	11%
Sovereign Bonds	Mapping of intensity metrics.	2023	
Corporate Bonds	Include within CRR	2024	
Sovereign Bonds	Include within CRR	2024	
Private Equity	Include within CRR	2025	8%
Legacy Private Equity	Work on the Fund's legacy assets outside of LGPS Central.	TBC	
LGPS Direct Real Estate Fund	Include within CRR subject to first set of data available.	2025	9%
Legacy Real Estate	Work on the Fund's legacy assets outside of LGPS Central.	TBC	

Remaining Asset Classes: The Fund will look to target other asset classes as data becomes available. Currently the IIGCC have not developed frameworks for the remaining asset classes such as Infrastructure (including timber) and private debt.

TBC

Circa 20%

INVESTMENT MANAGER QUESTIONS

Will be subject to review or change depending on emerging issues. These will be utilised in evaluating and reviewing managers management of climate risk and forming the initial view. The Fund will look to report back at a high level, and as part of any manager monitoring that needs to be brought to Committee's attention.

1. As an organisation, which initiatives and/or commitments are you currently signatories to in relation to climate change?

	Net Zero Asset Manager Initiative	TCFD	Climate Action 100+	TPI	CDP	IIGCC Net Zero framework	CERES Investor Network on Climate Risk, INCR, IGCC, AIGCC, IIGCC	Other, please specify
Y/N								

2.a. Has your organisation made any climate commitments for its operational emissions?

	Below benchmark target	Short-term target (e.g., 2025)	Medium-term target (e.g., 2030)	5-year interval targets	Long-term target (2040/50)	Engagement threshold (e.g., 90% by 2030)	Fossil Fuel Exposure	Portfolio coverage target (e.g., 90% by 2030)	Clean technology	Other targets, please specify
Commitments to Net Zero (Y/N)										
2.b If yes, please provide information on your commitments below.										
Baseline year										
Target year										
Scope 1 and 2 emissions (Y/N)										

Scope 3 emissions (Y/N)										
Target is: scienced-based-aligned / SBTi aligned (well below 2 degrees) / neither										
Is it an absolute emissions target or normalised emissions target?										
What is the target reduction? E.g. 50%, 150,000 tCO2e, 100 tCO2e/£m sales										
If a normalised target, which metric is it? E.g. absolute emissions/AUM, absolute emissions/EVIC, portfolio carbon intensity										

3.a Has your organisation made any climate commitments for its financed emissions?										
	Below benchmark target	Short-term target (e.g., 2025)	Medium-term target (e.g., 2030)	5-year interval targets	Long-term target (2040/50)	Engagement threshold (e.g., 90% by 2030)	Fossil Fuel Exposure	Portfolio coverage target (e.g., 90% by 2030)	Clean technology exposure	
Commitments to Net Zero (Y/N)										
3.b	If yes, please provide information on your commitments below.									
Baseline year										
Target year										
Scope 1 and 2 emissions (Y/N)										
Scope 3 emissions (Y/N)										
Target is: scienced-based-aligned / SBTi aligned (well below 2 degrees) / neither										
Is it an absolute emissions target or normalised emissions target?										
What is the target reduction? E.g., 50%, 150,000 tCO2e, 100 tCO2e/£m sales										
If a normalised target, which metric is it? E.g. absolute emissions/AUM, absolute emissions/EVIC, portfolio carbon intensity										

4. Does our investment/fund fall within your organisation's climate commitments/targets for financed emissions?									
	Below benchmark target	Short-term target (e.g., 2025)	Medium-term target (e.g., 2030)	5-year interval targets	Long-term target (2040/50)	Engagement threshold (e.g., 90% by 2030)	Fossil Fuel Exposure	Portfolio coverage target (e.g., 90% by 2030)	Clean technology exposure
(Y/N)									
4.b	If yes, please provide information on your commitments below.								
Baseline year									
Target year									
Scope 1 and 2 emissions (Y/N)									
Scope 3 emissions (Y/N)									
Target is: science-based-aligned / SBTi aligned (well below 2 degrees) / neither									
Is it an absolute emissions target or normalised emissions target?									
What is the target reduction? E.g., 50%, 150,000 tCO2e, 100 tCO2e/£m sales									
If a normalised target, which metric is it? E.g. absolute emissions/AUM, absolute emissions/EVIC, portfolio carbon intensity									

5.a Which climate metrics do you report for the fund and/or its assets?												
	Scope 1 emissions	Scope 2 emissions	Scope 3 emissions	Carbon intensity	WAC	% Clean technology /	Fossil Fuel exposure	Green Capex	Implied temperature metric	Low-carbon transition score	Climate value-at-risk / earnings	Other, please specify
(Y/N)												
5.b	What is the source(s) of your climate metrics?											
5.c	If you do not report climate metrics for the fund and assets, do you have a plan to do so?											
(Y/N)												
5.d	Please provide details on your plan below.											
Future climate-reporting plans												

6. Which climate metrics do you propose to use when monitoring your fund's pathway to net zero? Please rank them 1 to 5 (1 = not collected; 2 = collected but not assessed; 3 = assessed; 4 = supporting indicator; 5 = key indicator).

	Scope 1 emissions	Scope 2 emissions	Scope 3 emissions	Carbon intensity	WACI	% Clean technology / green revenue	Fossil Fuel exposure	Green Capex	Implied temperature metric	Low-carbon transition score	Climate value-at-risk / earnings-at-risk	Other, please specify
6.a(i) Fund Level (1 - 5)												
6.a(ii) Asset Level (1 - 5)												
6.b	Please outline your current challenges with reporting climate data and aligning the fund with net zero.											
Challenges to reporting emission data and aligning with net zero (max 150 words).												

7. Describe your strategy and tools to meet your climate targets and/or decarbonise our investment (max 300 words).

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8. Please explain your position on the role of carbon offsets (certificates) in your net-zero strategy (max 300 words).

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9. Do you have any restrictions or exclusions in relation to companies with fossil fuel reserves, or companies involved in new fossil fuel development (max 300 words)?

10. How are you reporting progress on climate risk and other Responsible Investment considerations to Investors such as Leicestershire Pension Fund?

11. If your investment model is linked with offsets, or generates offsets, how do you receive assurance of their quality.

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