

Clwyd Pension Fund

Managing Climate Risk: Highlights up to 31 March 2023

Fund Beliefs



ESG factors, including climate change, can **impact the performance** of the Fund's investments over the medium to long-term.



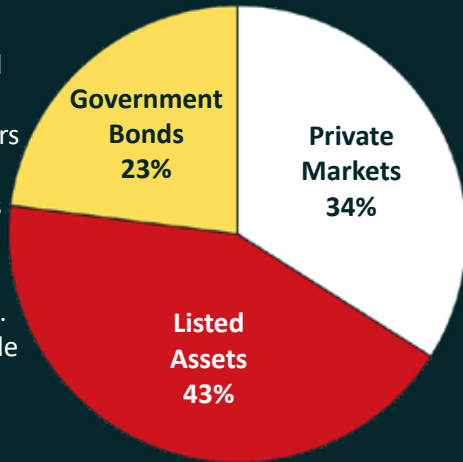
Taking a broader and longer-term view on ESG factors presents risks and opportunities which need to be thought about carefully. Sustainability themes and trends can be identified.



Good stewardship can add value and lessen risks in the long-term

Strategic Asset Allocation

The total emissions quoted in this summary are based on scope 1 and 2 emissions and covers approximately 41% of the Fund's assets allocation (which includes nearly all of our listed assets). This is where reliable greenhouse gas emissions data is available.



Scope 1: Direct emissions from company activity (for example, running gas boilers and vehicles)



Scope 2: Indirect emissions (for example, electricity purchased for heating and cooling buildings)

Fund Targets



Total Fund: Target net zero investment portfolio by 2045 or earlier.



Total Fund: 50% or more reduction in greenhouse gas emission by the end of 2030.



Listed Equities only: Reduce greenhouse gas emission by 36% by 2025 and 68% by 2030.

Ongoing Greenhouse Gas Emissions at 31 March 2023

The annual greenhouse gas emissions from companies in the Fund's listed asset investments is: **97,878 tons**

The Fund has since reduced this figure, by moving to investments with a lower exposure to carbon emissions. **This has reduced ongoing emissions by about 12,000 tons (12%)**

Emissions in the real world



The 12,000 ton reduction in scopes 1 and 2 is broadly equivalent to **removing 6,400 cars from the road.**

Based on average car mileage of 7,600 per year and 221g of carbon dioxide per mile for a medium sized car.

Fossil Fuel Revenue Exposure



The Fund's exclusion policy has identified companies who have high fossil fuel exposure. By moving to other investments managed by Wales pension Partnership (WPP), the Fund has reduced its investments in companies with fossil fuel revenues by about £14 million. Estimated exposures across WPP funds fell from £27m to £13 million, based on the Fund's strategic asset allocation.

You can read the Fund's full Task Force on Climate Change-related Disclosures report [here](#). It sets out all the assumptions, limitations and important notices about the climate-related data presented in this summary.

Key Actions Taken



Training: Ongoing training and a full skills review to make sure the Fund has the right knowledge about developments around climate change risk and legal changes.



Three metrics, covering about 41% of Fund investments, have been chosen to monitor the progress against climate change risks. The level of investments covered is expected to increase over time.



Targets have been set against listed equities and an exclusion policy is in use (please see our latest Investment Strategy Statement for more details).



Risks and Opportunities: Regular analysis is done to identify climate change related risks and opportunities that should be prioritised to help achieve the Fund's targets.



Commitments: Since 31 March 2022, the Fund has committed £95 million to private market investments. The aim is to address and benefit from a transition to a lower carbon economy.

Future Actions



Reduce ongoing greenhouse gas emissions, to meet agreed targets.



Reduce and eventually remove fossil fuel company exposure.



Continue to commit to investments that support the transition to a lower carbon economy.



Increase the analysis coverage of the Fund's investments (for example, private markets; subject to data availability and quality).



Jargon Buster

Clwyd Pension Fund (the “Fund”): The Pension Fund managed by Flintshire County Council for local authority employees in North-East Wales and employees of other employers with links to local government in that area

Emissions / Carbon Emissions: the gases or particles released into the air that can contribute to global warming or poor air quality

ESG: ESG stands for Environmental, Social and Governance. When ESG factors are taken into account this is often called “sustainable investing”.

Exclusion Policy: This sets out when and how the Fund may decide to move investments out of a particular company so that we are investing in a more sustainable way.

Fossil fuels: Fuels (such as coal, gas, peat and oil) that are formed in the ground over many thousands or millions of years from dead plants and animals and are used up once they are burned for energy.

Greenhouse gases (GHG): Gases in the atmosphere that trap heat causing warming in the lower atmosphere. The major greenhouse gases include carbon dioxide, methane and nitrous oxide.

Investment Strategy Statement (ISS): The main document that outlines our strategy in relation to how we invest the Clwyd Pension Fund’s assets.

Listed Assets: Investments in companies which are available to trade publicly (these can include “bonds”, which are company loans and “shares or equities”) which are ownership stakes in the company and which are traded on a stock exchange.

Lower Carbon Economy: A financial system (economy), usually of a country or region, focused on sustainable actions, such as lowering greenhouse gas emissions.

Net Zero: This means achieving an overall balance between carbon dioxide emissions produced by human activity and carbon dioxide taken out of the atmosphere, for example, through re-absorption by forests. The term “net zero” is also typically associated with a target date for when to achieve this.

Private Market Investments: Investments which are not available to trade publicly. These include Private Equity / Debt, Property, Infrastructure, Timber and Agriculture.

Stewardship: In an investment context, good stewardship is the responsible allocation, management and oversight of our assets to create long-term value for the Fund’s members and employers, and sustainable benefits for the economy, the environment and society.

Strategic asset allocation: the Fund’s target split of assets into different types of investment, as set out in its Investment Strategy Statement.

Sustainability (or sustainable investing): An approach where investors take into account environmental, social and governance factors.

Task Force on Climate-related Financial Disclosures (TCFD): a framework designed to improve and increase reporting of climate-related financial information.

Transition: the process of moving away from high-carbon intensive processes towards business models and assets aligned with a lower carbon future.

Wales Pension Partnership (WPP): A collaboration of the eight LGPS funds (Constituent Authorities), including Clwyd Pension Fund, covering the whole of Wales. WPP is one of the eight national Local Government Pension pools established in 2017.