

Appendix 1- ESG update on the Cambridgeshire and Northamptonshire Local Government Pension Scheme (the Fund)

18 October 2023

The Fund believes that Environmental, Social and Corporate Governance (ESG) issues create material risks and opportunities which will influence long term investment performance and the ability of the Fund to achieve its investment and funding objectives. Therefore, good ESG and stewardship practices should be integrated throughout the investment process of the Fund.

Good stewardship can protect and enhance value for companies and markets as a whole. The Fund is committed to being a long-term steward of the assets in which it invests. It believes in the importance of investment managers acting as active asset owners through proactive voting and engagement with companies. In addition, the Fund believes that acting collectively with other investors is an effective way to engage with companies.

The Fund includes in its Investment Strategy Statement a policy on the exercise of the rights (including voting rights). Specifically with regards to stewardship and engagement, the Fund expects its investment managers to:

- Exercise our rights as owners of investments by actively participating in company level decisions tabled as shareholder votes at General Meetings.
- Engage with companies where there are concerns over ESG issues.
- Vote on pool-aligned assets in accordance with the ACCESS Voting guidelines on a “comply or explain” basis and inform the Fund of voting outcomes.
- Report on their voting activity on a regular basis, with ACCESS Pool managers required to report on a monthly basis.

The Fund believes that acting collectively with other investors, for example, with partner authorities in the ACCESS pool or through membership of the Local Authority Pension Fund Forum (LAPFF), is an effective way to engage with companies.

The publicly available Stewardship & engagement update report is produced semi-annually, where the Fund’s voting activity data is reported for assets held within ACCESS Pool. The report also contains a summary of engagement activity undertaken on behalf of the Fund by managers within ACCESS Pool as well as direct engagements with managers by the Fund. The overview of the LAPFF’s engagements and voting activity is also included as part of the report.

The Pension Fund is fully committed to reducing its carbon exposure and aims to achieve carbon neutrality at the latest by 2050. To provide transparency and accountability, we publish a dashboard on our website which is updated yearly, which I have attached. This report provides detailed information on our carbon emissions and progress towards our reduction goals.

In addition, we have developed a comprehensive climate action plan that outlines our strategies and targets for reducing emissions from our listed equities. The decarbonisation pathway for the Cambridgeshire Pension Fund can also be accessed via our website (pensions.cambridgeshire.gov.uk). This document presents a clear roadmap for our journey towards achieving a net-zero carbon status by 2050 at the latest.

As set out in the Climate Action Plan, the Fund carried out a research into suitable options to replace the existing passive equity portfolio with a more “climate aware” solution, in order to decarbonise its portfolio with the aim of achieving net carbon zero by 2050 or earlier. This led to a Passive portfolio restructure with existing funds being transitioned into UBS Climate Aware (70% allocation) and Osmosis Fossil Free (30% allocation), completed in June 2023.

The impact of the Passive Portfolio transition on the Fund’s carbon footprint, will be reviewed before the year end as part of the ongoing Climate Transition Analysis.

For a more in-depth understanding of our climate action plan, you can refer to the document titled "ClimateActionPlan_NEW.pdf," which I have attached. This plan outlines the specific actions and initiatives we will undertake to fulfil our commitment to carbon neutrality.

The attached documents, available on our website, will soon be updated showing the new primary metric. This will be tracked against carbon footprint rather than the absolute emissions metric, in line with agreed continued development of our reporting.

By reviewing these resources, you will gain a comprehensive overview of our efforts to reduce carbon exposure and work towards a sustainable future.