

Investment News

The following provides an overview of a number of positive investments made by the Cheshire Pension Fund. These include investments in UK infrastructure and housing, renewable energy and sustainable companies. This has resulted in a major reduction in the carbon footprint of the Fund's investments.

Climate Change

In December 2020, recognising the significant environmental and financial risks associated with climate change, the Fund published its first Carbon Reduction Strategy and climate change targets.

The following table sets out the Fund's current climate change targets, which have now been achieved. The Fund is now developing new targets for 2024 onwards.



Target	Progress
Reduce the carbon footprint of the Fund's equity portfolio by 7.6% per year.	The carbon footprint of the Fund's equity portfolio decreased by 10.5% since last year. Since 2019 (baseline year), the weighted carbon footprint of the equity portfolio has reduced by almost 38% meaning that the target has been delivered over all years.
Reduce the carbon footprint of the Fund's equity portfolio to 50% below the equity market (FTSE All World) by the end of 2023.	The Fund's equity portfolio currently has a carbon footprint of 69.2, which is 51% lower than that of the general equity market figure of 142.0. The Fund has therefore achieved its 2023 target.
To invest an increasing proportion of total Fund assets in low carbon and sustainable assets.	The Fund made major new investments in two sustainable equity funds in May 2022. The value of the investments in these funds at 31 March 2023 was £358m which represented 5.7% of the Fund's total assets. The Fund also made commitments to three infrastructure funds in 2021 and 2022 totalling £130m. Within these funds, 24% of current investments are in renewable energy projects, and this figure is expected to increase as further investments are made.



Investments in renewable energy and sustainable/low carbon funds

As noted above, the Fund has commitments to three LGPS Central infrastructure funds totalling £130m. Some of the renewable energy projects that the Fund is invested in are:

- Scotland's largest operational offshore wind farms, capable of providing electricity for up to 450,000 homes.
- 25MW operational Hydro Dam in Lochaber in the Scottish Highlands.
- Hornsea – a 1,218MW offshore wind farm located in the North Sea near the East Coast of Yorkshire.
- Rampion Offshore Wind – a portfolio of 8 assets across the UK with a total capacity of 2.4GW.
- Slough Waste to Energy plant – currently under construction.
- Scottish floating Offshore Wind – currently under development.

In addition to the investments in renewable infrastructure projects, the Fund is also invested in a number of low carbon and sustainable funds which invest in companies leading the net zero transition. The value of the investments in these funds is almost £1.2bn, which is around 20% of the total value of the Fund's investments.





UK Investments

As at 31 March 2023, the value of UK investments held by the Fund was £2.3bn, which represents around 37% of the Fund's total investments. This compares favourably to the other seven partner funds within LGPS Central, with the Fund having the third highest allocation, although only marginally below the two highest partner funds. By way of comparison, UK GDP represents 1.4% of the GDP of the world economy.

The Fund is also in the process of finalising further investments that will increase the overall value of UK investments to around 40%. That includes £150m commitment to a new UK residential housing fund which will invest in social, affordable and private rented housing.

Exposure to fossil fuels

In October 2023, UK Divest published their analysis of the extent of investment in fossil fuels nationally by the 86 LGPS funds in the 2021-22 financial year. The figure quoted for the Cheshire Pension Fund was £120m, equating to 2.2% of total Fund assets (compared to the English average of 3.34%).

As at 31 March 2023, the Fund's exposure to fossil fuels had reduced to £66m, equating to just over 1% of total Fund assets.

The Fund is an active and engaged shareholder and, through its external active equity manager and LGPS Central, regularly undertakes voting and communications work, as well as working with other shareholder groups to encourage companies to improve their business practices e.g. voting and lobbying companies to align their business plans with the Paris Climate Agreement. The Fund believes it can work with other organisations to encourage and influence the behaviours of companies for the greater good of the Fund as well as the environment.

Published by: **Cheshire Pension Fund**
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