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Mr Michael Howard
Mr Nigel Lee

25 September 2015

Dear Mr Howard and Mr Lee,

Local Authority Pension Fund Investments in Fossil Fuels

Thank you for contacting us regarding the issue of fossil fuel investments. The Nottinghamshire Pension Fund shares your concern on the investment implications of climate change and carbon emission management. As a long term investor charged with looking to the interests of beneficiaries over many decades into the future, we recognise climate change as a significant risk factor for our pension fund investments.

As the Nottinghamshire Pension Fund is a 'Defined Benefit' scheme, there is a single fund with a range of underlying investments and it is not possible within this structure for individual beneficiaries to choose to 'opt out' of any particular investments. The Local Government Association has obtained counsel's opinion on LGPS scheme investments. For the reasons set out in that opinion, the Fund will not be committing to move all investment out of fossil fuels at this point in time.

However, the Fund does engage actively and productively with companies in the sector through its participation in the Local Authority Pension Fund Forum (LAPFF). LAPFF's engagement strategy is to push for an orderly carbon transition by requiring companies to identify and tackle carbon risks in their business models. The Fund was one of the supporters of the strategic resilience shareholder resolutions put to BP and Shell's 2015 AGMs. These resolutions were unique in that they were supported by the boards and galvanised investor support and built on a history of previous engagement with resources companies on carbon asset risk. The Nottinghamshire Pension Fund also votes on resolutions at global AGMs seeking transparency and disclosure of climate risks and setting emission reduction targets. In this manner our view is directly communicated to individual boards.

It should be noted that the Nottinghamshire Pension Fund does have an increasing level of investment in renewable and low carbon energy production and will continue to make such investments where the risk/return profile fits the pension fund's investment strategy.

The Nottinghamshire Pension Fund shares many of your concerns over climate and carbon issues, and works both at a fund and a collective level to further climate action. At this point in time, the fund believes active engagement with investee companies is the preferred option to bring about change whilst managing overall investment risk issues. I hope this helps to address your concerns.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Nigel Stevenson".

Nigel Stevenson
Service Director – Finance, Procurement & Improvement