THE GOOD ECONOMY

Avon Pension Fund

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Annual Assessment of Avon Pension Fund's Local Impact Portfolio

2025

Contents

Disclaimer

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The findings and opinions conveyed in this report are based on information obtained from interviews with and portfolio data from the Avon Pension Fund. The information reviewed should not be considered as exhaustive and has been accepted in good faith as providing a faithful representation of the investment strategy and its underlying holdings. We have taken steps to ensure we do not intentionally or unintentionally inflate positive impact results or under-report negative impacts. However, we acknowledge there are limitations in the quantity and quality of data available. We have identified and explained the effect of these limitations on the presentation of impact performance to the best of our ability.

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1 / Introduction

About the Avon Pension Fund

Avon Pension Fund (the Fund) is a Local Government Pension Scheme (LGPS) fund with assets of **£5.8 billion**, investing across global equities, bonds, property and infrastructure to secure long-term returns for its **135,000 members**. It aims to deliver secure pensions at an affordable cost to employers, while investing responsibly to generate long-term, sustainable returns.

Avon Pension Fund has assets of **£5.8 billion**

Investing across global equities, bonds, property and infrastructure for its **135,000 members**

The Fund has committed to building a dedicated Local Impact portfolio which invests to generate positive social and environmental outcomes in the South West. The first Local Impact investment was made in 2024.

The Local Impact portfolio began as a strategic allocation of 3% of total assets (c.£180 million), investing across three priority themes: renewable energy, affordable housing, and small- and medium-sized enterprise (SME) financing. The allocation rose to 5% of total assets (c.£300m) at the Fund's 2025 investment strategy review and is designed to address the climate challenge and support the Fund's 2045 net zero target[1], to deliver more affordable housing in the region, and to support the growth of SME businesses in the South West; alongside meeting the Fund's financial return objectives.

Purpose of this Report

This report demonstrates the impact of the Fund's investments in the region on behalf of the Fund and its members. The assessment is anchored in the widely recognised Place-Based Impact Investing (PBII) Reporting Framework[2], ensuring a robust and industry-aligned approach.

This is the Fund's first local impact report and reflects the early stage of the portfolio. The findings draw on portfolio analysis and are complemented by case study insights.

Avon Pension Fund and Schroders at Grange Farm, Solar Farm

[1] The local area has set a net zero target of 2030 (The West of England Strategic Framework), whilst Avon Pension Fund has set a target of reaching net zero emissions by 2045.

[2] Scaling Up Institutional Capital for Place-Based Impact, May 2021
Scaling-Up Local Investing for Place-Based Impact: A Strategic Framework and Guidance for LGPS, September 2025

2 / Portfolio Analysis

As of 31 March 2025, the Fund has committed a total of **£140 million** of the initial **£180 million** allocation, of which **£50.6 million** (36%) has been drawn down by fund managers and invested in assets[3]. So far investment has been made in three funds managed by three separate fund managers. These include:

Fund	Total fund commitments	Deployed to date (% of total committed amount)	Avon Pension Fund commitment	Avon Pension Fund share	Investment Theme	Geographic focus	Objective
Foresight Regional Investment VII LP	£102m	£7.2m (7%)	£50m	49%	SME Finance	South West of England	Investing in high potential businesses in the South West
Wessex Gardens LP	£330m	£241m (73%)	£50m	15%	Clean Energy	Cornwall, Dorset, Somerset, Avon, Devon, Wiltshire, Oxfordshire, Buckinghamshire, Gloucestershire	Investing in renewable energy generation assets to facilitate the transition to a low carbon economy
Octopus Affordable Housing Fund	£202.5m	£81m (40%)	£40m (+ £10m reserved for Avon based schemes)	11%	Affordable Housing	National, with local Avon 'sleeve'	Increasing the number of available affordable houses in areas of high need

Of the **£50.6 million** invested, **72%** has been invested in solar assets, **23%** in affordable housing and **5%** supporting regional businesses (see Figure 1). The distribution of asset classes will balance over time as commitments are drawn by the underlying investment managers.

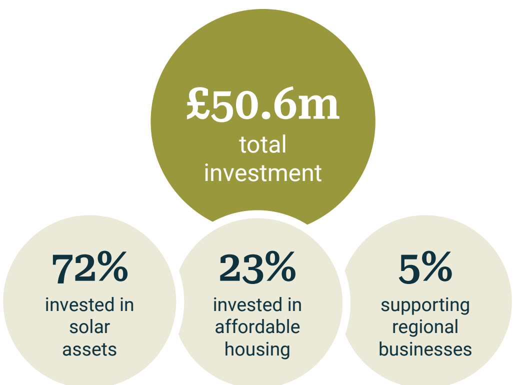
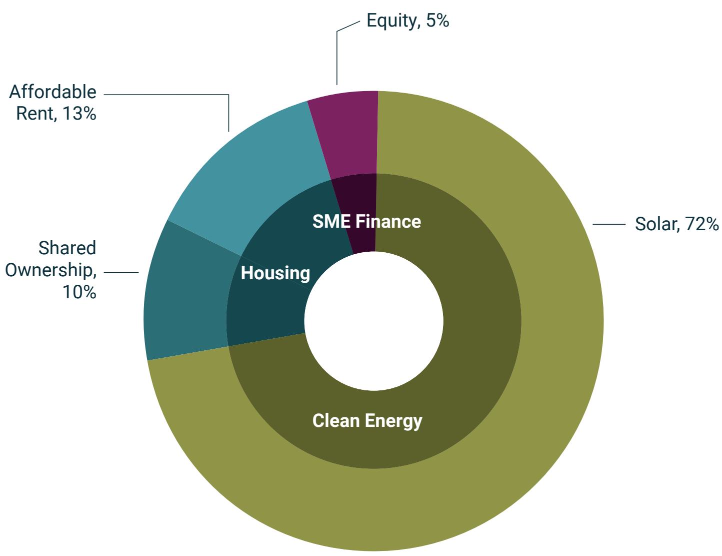


Figure 1: The Local Impact portfolio by asset class and investment value



[3] Since 31st March 2025, Avon have allocated the remaining commitment with a further £10 million invested in each of the three funds. A further £10 million was allocated to Octopus to establish a local affordable housing vehicle and is yet to be deployed.

The majority of assets in the portfolio are in southern areas of the UK, with **9%** of portfolio investment in the Avon area and a further **42%** of investment in the rest of the South West[4]. This amounts to **£26 million** being invested in the region accounting for **0.4%** of the total Avon Pension Fund value.

Figure 2: The Local Impact portfolio by region, asset class and value

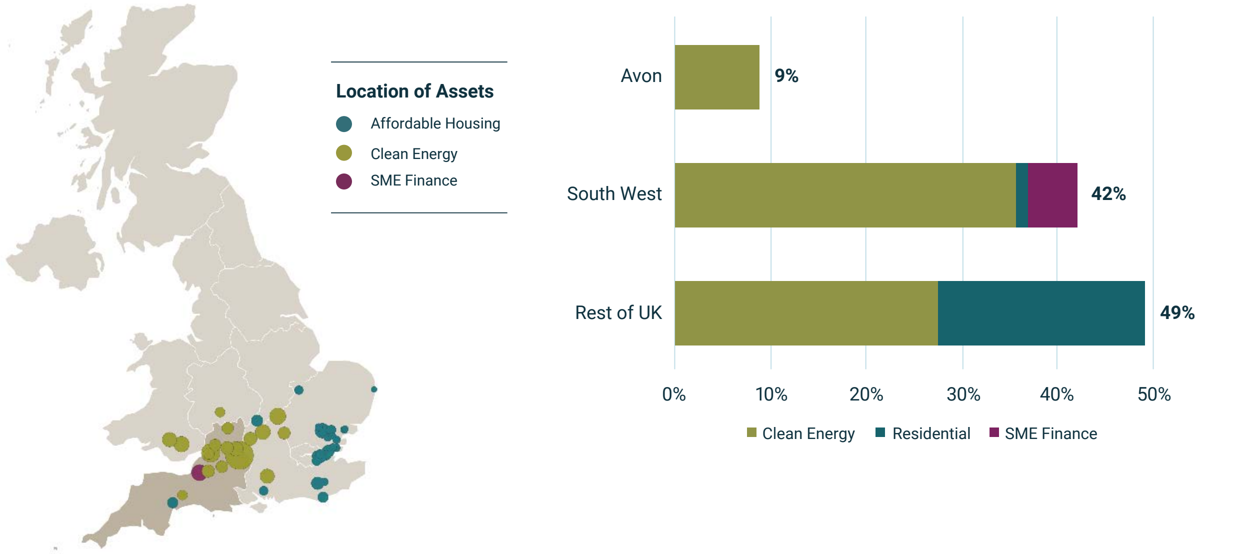
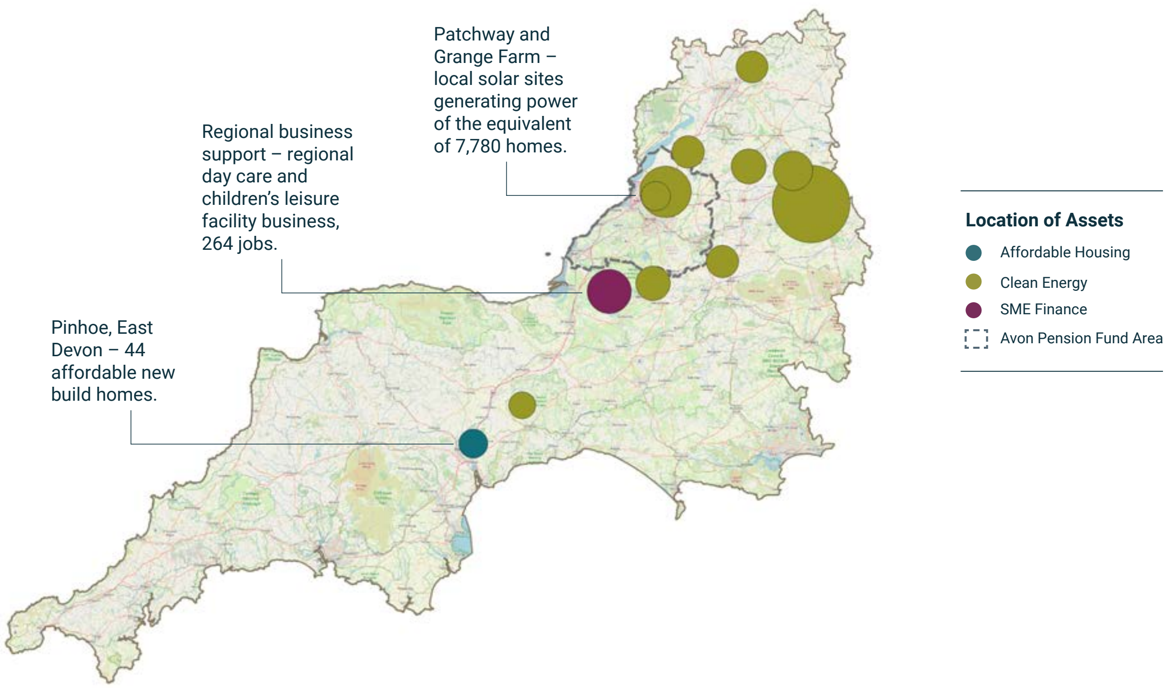


Figure 3: The Local Impact Portfolio in the South West, by asset type and value



[4] South West as defined by International Territorial Level 1 (ITL1) regions.

3 / How Avon Pension Fund Supports The Region

Affordable Housing

The South West faces some of the sharpest housing pressures in the UK, with high price-to-income ratio and an estimated 200,000 additional homes needed, creating a clear opportunity for investment in affordable housing.

- 648 homes completed, in development or planned, of which 7% are in the South West
- 303 newly developed homes, of which 44 developed in the South West
- 100% of homes located in areas of 'constrained affordability'[5]
- 1,507 residents in total, 58% of whom live in Shared Ownership homes and 42% Affordable Rent
- 100% of Affordable Rent residents from Local Authority waiting lists
- 98% of homes are EPC B or above, compared to a national average of EPC D[6]

Clean Energy

Meeting the region's 2030 net zero target requires a further 13% year-on-year reduction in emissions and substantial investment in renewable generation and retrofits, creating urgent demand for scalable clean energy infrastructure[7]. The Fund's own 2045 net zero commitment, which includes an interim 2030 decarbonisation target, aligns with and reinforces this transition, supporting both the region's near-term goal and long-term climate resilience.

- 18 solar sites, all of which are in the South West[8]
- 176,911 MWh clean power generated
- 65,523 equivalent homes powered[9]
- 66,125 tCO_2 avoided in total[10]

SME Finance

SMEs employ the majority of the South West's workforce but productivity lags behind national levels, and the region attracts only a small share of UK equity investment, highlighting the need for further capital to unlock business growth and jobs.

- One provider of children's leisure sites and daycare nurseries, headquartered in the South West
- 14 sites across the South West, Midlands and Wales
- 264 jobs supported, of which 220 are based in the South West

[5] Constrained Affordability is defined as having an affordability ratio greater than the national median.

[6] ONS. (2023) Median energy efficiency score by of property band, by country and region, England and Wales, up to 2023. The overall median benchmark for homes across England and Wales is EPC D.

[7] The West of England Strategic Framework

[8] The underlying fund was launched with an agreed scope and mandate with the pension fund investors on what is considered the South West. In this instance the South West is defined as Cornwall, Dorset, Somerset, Avon, Devon, Wiltshire, Oxfordshire, Buckinghamshire and Gloucestershire.

[8] The number of homes powered is based on the average annual household energy consumption for renewable electricity generation using the latest reported figures and reflecting the fund's electricity generation.

[10] Carbon emissions avoided are reported using Schroders Greencoat's methodology, which follows Partnership for Carbon Accounting Financials (PCAF) guidance. This approach assumes that renewable generation displaces the marginal generator in the electricity system — the fossil-fuel power source (typically gas or coal) that would have been dispatched to meet demand in the absence of renewables. Emissions factors for the marginal generator (gCO_2/kWh) are sourced from the International Energy Agency (IEA, 2024).

Business needs in the South West

SMEs play a central role in the South West economy, with 64% of the two million people employed in the private sector working in businesses with fewer than 250 employees[11]. Despite their key role in the economy, productivity levels in the region lag considerably behind the UK, with both Gross Value Added (GVA) per hour worked and GVA per job below the UK average by 7.5% and 9.8% respectively[12]. Despite the South West being home to 9% of the UK's SME's, a disproportionately low number of equity deals in 2024 were in the region, accounting for only 3% of all deal investment[13]. Many SMEs in the region face barriers to growth, including limited access to capital and challenges in transitioning to net zero. The West of England Strategic Framework[14] has highlighted the need for the region to build investment ready ecosystems to support innovation and the key role SMEs can play in driving quality employment and access to green jobs across sectors.

Foresight's South West Fund

As of 31st March 2025, Avon Pension Fund had committed £50 million to the Foresight Regional Investment VII Fund, which aims to support the growth of high-potential SMEs in the South West. Whilst still in its early stages, with first deployment in March 2025, the fund will provide growth capital and operational support to businesses that can deliver both financial returns and local economic impact.

Investment in Family Adventures Group

The South West Fund's first investment was a £5.3 million commitment to Family Adventures Group, a Somerset-based operator of nurseries and children's leisure sites. With 14 sites across the South West, Midlands and Wales, Family Adventures Group employs over 264 staff, 220 of whom are in the South West, and offers apprenticeships for Level 3 childcare qualifications.

Family Adventures Group team

[11] Business Population Estimates 2024, ONS.

[12] Regional and subregional labour productivity, UK: 2023, ONS.

[13] Small Business Equity Tracker 2025, British Business Bank, June 2025.

[14] The West of England Strategic Framework

4 / Alignment with Place-Based Impact Investing (PBII)

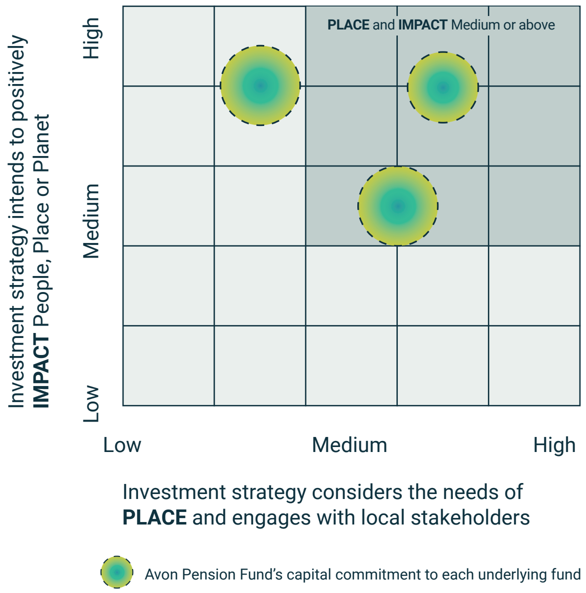
Place-Based Impact Investing (PBII) means investing in ways that address locally identified needs and priorities while delivering benefits to local people and communities.

As outlined in a 2021 White Paper[15], the approach has several characteristics including meeting local needs, making decisions to maximise local benefits, collaborating with local stakeholders, listening to community voice, being intentional about generating positive outcomes and measuring and managing for impact.

To understand how far these principles of Place and Impact are integrated into investment strategies and decision making within the Fund's portfolio, investment managers were asked to self-assess against these traits, with independent oversight and scrutiny provided by The Good Economy.

Overall, 59% of the capital committed by Avon Pension Fund is to funds with a 'Medium' alignment with the PBII traits. Figure 4 shows the degree to which each of the three underlying funds integrate place and impact considerations into their strategies, with circle size reflecting the amount of capital committed. Octopus Affordable Housing Fund (OAHF) and Wessex Gardens were assessed as having 'Medium' or above alignment for both place and impact traits. All funds were assessed as above 'Medium' for impact, integrating double-materiality[16] impact considerations into their strategies.

Figure 4: The PBII alignment of the Local Impact portfolio, by committed value



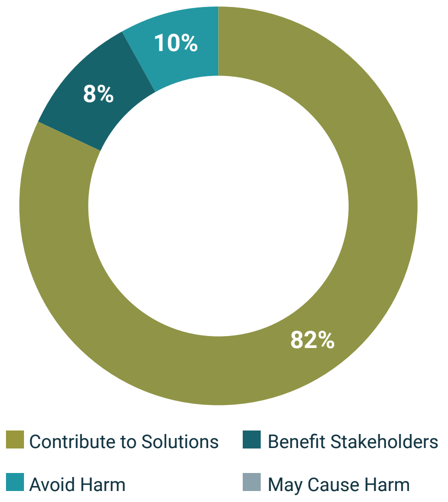
[15] Scaling Up Institutional Capital for Place-Based Impact, May 2021

[16] Double materiality refers to considering sustainability factors both in terms of how they affect an organisation, and how the organisation itself impacts society and the environment.

5 / Alignment with the 'ABC' Classification of Impact

We have applied the Impact Management Project's (IMP) classification system[17] to map the portfolio's intended effects on people, places, and the planet.

The portfolio demonstrates that it is going beyond 'Avoiding Harm' and intentionally aiming to generate positive outcomes. 82% of invested capital are assessed as 'Contributing to Solutions', 10% as 'Benefitting Stakeholders' and the remaining 8% as 'Avoiding Harm'.



82% of invested capital is assessed as 'Contributing to Solutions', 10% as 'Benefitting Stakeholders' and the remaining 8% as 'Avoiding Harm'.

Figure 5: Impact Classification of Avon Pension Fund's Local Impact Portfolio

Impact Classification	Example
Avoiding Harm	Investments where the focus is ensuring operations do not cause negative impacts and improving sustainability performance where possible. For example, a small business, or construction site where ESG performance is monitored and acted upon.
Benefiting Stakeholders	In addition to Avoiding Harm, investments that actively improve or maintain well-being for people and/or the environment. For example, shared ownership homes which support access to home ownership.
Contributing to Solutions	Investments that actively improve well-being for people and/or the environment, specifically where conditions have previously been unsustainable. Such investments address systemic challenges, such as financing new affordable homes in areas of highest need (e.g. high levels of unaffordability and large housing waiting lists) or assets generating renewable energy.

[17] https://impactfrontiers.org/norms/abc-of-enterprise-impact/

6 / Investing in UK Affordable Housing

The South West's Housing Need

The South West is one of the least affordable regions in England, with a median house price to earnings ratio of approximately ten times median earnings[18], compared to a national average of 8.6 times median earnings. Cities such as Bath and Bristol, and coastal areas in Cornwall and Devon are particularly strained; Bath is ranked as the third least affordable city in the UK, while Bristol is the most expensive city for single renters[19].

Demand for affordable housing continues to outstrip supply. It is estimated that 200,000 homes are needed across the Avon area to meet current and future demand, requiring approximately 70,000 new homes over the next five years, of which 60% would need to be affordable homes[20]. The West of England Strategic Framework has identified the delivery of new housing, particularly affordable and energy efficient homes, as a key strategic priority to address housing insecurity and inequality.

Funds such as the Octopus Affordable Housing Fund provide a vehicle for long-term investors to support the delivery of much-needed affordable homes in the South West, contributing to regional priorities while addressing a national shortage.

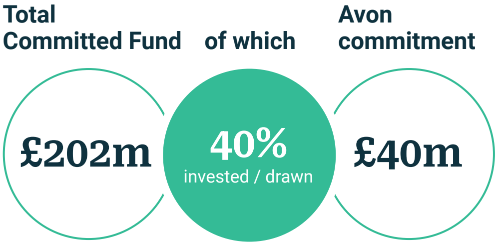
Case Study:

Octopus Affordable Housing Fund

Launched in 2023, Octopus Affordable Housing Fund (OAHF) is a UK-focused affordable housing fund set up by Octopus Capital. The fund was established to address the shortage of high-quality, affordable homes across the UK. OAHF invests in both the development of new homes and the acquisition of existing homes, with the aim of both increasing housing supply, and enhancing the quality and energy efficiency of affordable housing nationwide.

A key feature of the fund is to increase the availability of affordable homes in areas of constrained affordability, where house prices and rents are high relative to local incomes, while ensuring homes are energy efficient and help lower household energy bills. This is helping to address the UK's chronic shortage of quality affordable housing – with 8.5 million people in England living in unaffordable, insecure or overcrowded housing, and local authority waiting lists continuing to grow nationwide.

As of March 2025, OAHF had raised £202 million, of which Avon Pension Fund had committed £40 million. OAHF had drawn £81.3 million (40% of capital raised). 7% of the OAHF properties are based in the South West region. Avon has committed a further £10 million to a dedicated local (Avon area) investment sleeve which will make co-investments alongside the main OAHF, increasing the capital flow into affordable housing schemes in the region.



648 Homes
OF WHICH
421
COMPLETED

1315 Residents
WITH A POTENTIAL OF
2,135
ONCE ALL HOMES UNDER CONSTRUCTION HAVE BEEN COMPLETED

[18] West of England Combined Authority, 2024/25, The West of England Strategic Framework
[19] The West of England Strategic Framework
[20] The West of England Strategic Framework

OAHF currently consists of 46% new builds and 54% tenanted acquisitions. The fund's strategy is to directly increase housing supply by financing the build of new properties, whilst also improving the quality of existing homes within the sector. The fund targets tenanted acquisitions from organisations that are most likely to reinvest the capital into new builds and retrofit existing stock. These acquisitions also provide the leverage needed for the fund to access capital for further new build developments in the future. The fund typically invests outside major urban centres, supporting community development in smaller towns and rural areas.

Through the fund's in-house Registered Provider, NewArch Homes, OAHF partners with housing associations to build and manage homes across a variety of tenure types, including affordable rent and shared ownership. The homes range from houses and bungalows, to flats and maisonettes.

The fund's quality standards are underpinned by its 'Quality Book', which aims to drive a high building standard across its portfolio to ensure size, design and energy performance benchmarks are met. All OAHF homes meet the minimum size standard for resident wellbeing, set at 85% of the Nationally Described Space Standards (NDSS). 80% of OAHF homes meet or exceed the full NDSS. The fund also invests in homes with good levels of energy efficiency, with 98% of homes at EPC B or above (compared to a national average of EPC D).

The fund has also committed to delivering zero-bill homes, with 5% of the contracted portfolio to meet this by the end of 2025. Drawing on Octopus Capital's links with Octopus Energy, OAHF targets high-energy-efficiency and smart, low-carbon technologies to reduce resident energy costs.

Homes in Pinhoe, Devon

[21] Octopus Capital's close links with Octopus Energy will enable the delivery of more energy efficient homes to reduce resident outgoings. See Octopus global Zero Bills Standard for more information on technology involved with Zero Bills homes.

Figure 6: OAHF Affordability Analysis

% of homes in areas of 'constrained affordability'[22]	
All homes in OAHF portfolio	100%
% of local households who earn enough to find the homes affordable[23]	
Shared Ownership homes	49%
Affordable Rent	52%
Private Rental Market Benchmark	35%
Average monthly resident savings vs renting privately	
Shared Ownership homes	£193
Shared Ownership homes (monthly resident savings vs outright purchase)	£560
Affordable Rent	£271

100% of homes in the fund are delivered in areas of constrained affordability, defined as places where the local house price-to-income ratio is above the national median. The fund also requires all properties to be in areas with a local house price to income ratio of seven or above to be invested in. By targeting these areas, the fund ensures its homes support households most at risk of being priced out of the market, helping to ease local authority waiting lists in areas of greatest need.

All residents in OAHF's rented homes are nominated directly from local authority waiting lists, ensuring the portfolio supports households in greatest need. Currently, 22% of OAHF's homes are in local authorities where waiting lists exceed the national average. Despite all homes being in areas of constrained affordability, additional impact could be achieved by further targeting local authorities with proportionally larger housing waiting lists.

The affordability analysis above shows that OAHF's homes are affordable for median-earning households and above, however, access for lower-earning households is more limited. Based on TGE's affordability benchmark which views affordability as housing costs below 33% of net household income, 52% of local households can afford Affordable Rent homes (compared to a portfolio benchmark of 35% for private rental market homes in general) and 49% can afford Shared Ownership. When looking across income levels more broadly, 60% of homes are affordable to households at or below the 60th income percentile, while only 28% are affordable to those in the bottom 30th percentile[24]. However, under OAHF's internal measure (housing costs below 40% of the local weighted median income), 100% of the fund's homes meet its internal affordability test.

Notably, all Affordable Rent homes have rent levels matching the Local Housing Allowance (LHA), and all residents are nominated from local housing waiting lists, meaning many may also be in receipt of other income, including housing-related or other benefits. Setting rents at or below the LHA helps to ensure that the rental homes reach those in greater housing need.

Comparing the cost of living in an OAHF property to the cost of renting privately or purchasing outright helps to give an indication of the financial relief the potential residents may have. In the fund's properties, residents experience meaningful financial benefits compared to renting privately or buying outright in the same area, for example households renting an affordable home would save an estimated £271 a month compared to renting privately (see Figure 6).

Setting rents at or below the Local Housing Allowance helps to ensure that the rental homes reach those in greater housing need.

[22] Constrained Affordability is defined as having an affordability ratio greater than the national median.

[23] Affordability is calculated as the % of households able to live in a property without being overburdened by rent (according to TGE's affordability measure which views affordability as less than 33% of net household income spent on rent and mortgage interest, in line with guidance of the Affordable Housing Commission. The calculation compares the affordability of homes against the local household earnings distribution. A benchmark is provided comparing the affordability of private rental market homes in general using 'Private rental market summary statistics' (ONS) for a portfolio of the same geographical and house size composition as OAHF.

[24] The analysis considers household earnings only which does not include bonus payments, or other income such as benefit payments.

44	88	100%	100%
NEWLY BUILT HOMES	RESIDENTS ONCE COMPLETE	EPC B FORECASTED	HOMES MEET NSS STANDARDS[25]

OAHF's homes in Pinhoe, East Devon

Currently the fund has a strong footprint in Kent and Essex but has a growing presence in the South West with a development in Devon. The Pinhoe scheme in East Devon on the outskirts of Exeter is a new build development comprising 44 homes (30 affordable rent, 14 shared ownership) for up to 88 residents. All 44 homes are Section 106 (S106) and part of a larger 430-unit development.

OAHF bought the S106 allocation after the previous buyer's deal fell through. This not only enabled the S106 commitments to be fulfilled but also allowed the wider development to progress without further delay, an issue which many housing developments across the UK are currently facing. At the time of reporting, 27% of the homes were occupied, and 25% under construction, the remainder are the shared ownership units that are nearing occupation.

In East Devon, 8% of households are on the housing waiting list, compared with a national average of around 5%. All affordable rent homes in OAHF's South West portfolio will be occupied once completed, under a nomination agreement with the local authority, which ensures that residents are drawn directly from local authority waiting lists, directly supporting households in greatest need.

The homes are connected to a district heating network designed to achieve carbon neutral status in the medium term. All properties are forecast to reach an EPC B rating, with additional sustainability features including low-energy lighting and PVC-u windows. Housing management is provided by Pinnacle with snagging issues addressed and resolved before tenants move in. It is too early to gather resident feedback, though a Tenant Satisfaction Survey is planned for 2026 once the fund exceeds 1,000 homes (a regulatory requirement for registered providers).

OAHF homes under construction in Pinhoe, Devon

[25] OAHF report against the metric of "% of homes that are 85% of National Designated Space Standards (NDSS) or above"

7 / Investing in Renewable Energy

Renewable energy need in the South West

The West of England's Strategic Framework has highlighted the need to accelerate the scaling of clean energy infrastructure, alongside improving energy efficiency of homes, with approximately 300,000 insulation retrofits needed.

There are opportunities in the South West to expand solar and wind energy, supported by emerging local solutions such as mine-heat recovery and battery storage. Increasing deployment of these technologies will be important for cutting emissions and supporting the transition to a low-carbon economy.

Funds such as Schroders Greencoat Wessex Gardens provide a means for long-term investors to channel capital into renewable projects in the South West, helping to ensure the region continues to contribute toward national net zero goals while delivering local environmental benefits.

Case Study:
Wessex Gardens, Schroders Greencoat

Launched in 2023, Schroders Greencoat Wessex Gardens LP is a regional fund managed by Schroders Greencoat and established by six LGPS funds based in the South West.[26] The initial £330 million vehicle offers the six LGPS funds the opportunity to invest in renewable infrastructure with a clear regional focus. The fund builds on Schroders Greencoat's established UK footprint, applying a regional lens to support the UK's net zero transition and societal need for clean, low-cost, secure energy[27], while delivering long-term income and local environmental impact.

Wessex Gardens was formed in parallel to Schroders Greencoat's £700 million acquisition of the Toucan Energy portfolio, the UK's largest operational solar transaction involving 53 operating solar farms across the UK. The Toucan portfolio was placed in administration in 2022 by primary creditors Thurrock Council. Schroders Greencoat's acquisition safeguarded the assets, ensuring their continued operation, and also allowed Thurrock to recoup some of its initial investment. From this deal, 17 of the 53 solar farms in Brunel Pension Partnership's target geography were carved out to seed Wessex Gardens. The partnership enabled six LGPS funds, including Avon, to invest in renewable infrastructure at scale within the region. Avon have invested £50 million, granting it 15% ownership stake.[28] In January 2025, Wessex Gardens added to the portfolio with the acquisition of a ready-to-build solar farm in Oxfordshire. Schroders Greencoat will oversee construction of the solar farm as well as ongoing operation.

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[26] The fund was launched with an agreed scope and mandate with the pension fund investors on what is considered the South West. In this instance the South West is defined as Cornwall, Dorset, Somerset, Avon, Devon, Wiltshire, Oxfordshire, Buckinghamshire and Gloucestershire.

[27] Schroders Capital, Renewable infrastructure, Schroders Greencoat

[28] Since the reporting date, Avon Pension Fund have invested a further £10 million into Wessex Gardens, growing the vehicle to £340m, and increasing their share to 18%.

Total Committed Fund | **of which** | **Avon commitment**

£330m

73%
invested / drawn

£50m

18
SOLAR SITES

65,523
EQUIVALENT HOMES POWERED

Wessex Gardens invests primarily in operating (or soon to be operating) stage renewable infrastructure. The portfolio is currently weighted to solar PV, although the fund is exploring opportunities in other technologies supporting the energy transition in the South West, such as battery storage, for the remaining capital to be deployed. The strategy is long-term and income-focused, with a target return of 8% over a 25-year period.

By purchasing operating or ‘ready to build’ assets, the fund helps to free up developer capital to reinvest into new projects that supports the ongoing development of clean energy generation in the UK. This recycling of capital is necessary in meeting the UK’s ambitions under the CP30 framework[29] and supporting the UK’s net-zero transition plans. Investors such as Avon are well-placed to provide this long-duration capital at scale, in a market where other institutions are often constrained to provide such capital.

Wessex Gardens’ portfolio plays an important role in facilitating the continued operation of existing assets. Many of the sites had limited maintenance whilst Toucan went through administration, with no spare parts held in stock and added vulnerability due to supply chain difficulties during the pandemic. Schroders Greencoat have stabilised the portfolio by securing spare parts, implementing strategies for repowering should a site go offline, extending land leases, providing site security, and considering technology upgrades to maximise efficiency, ensuring the assets can operate effectively over their 40-year lifespan. In addition, the portfolio’s most recent investment in Ducklington and forthcoming earmarked projects are focused on additive new build capacity.

Wessex Gardens solar farm, Grange Farm, South Gloucestershire

[29] Department for Energy Security & Net Zero, April 2025, Clean Power 2030 Action Plan: a new era of clean electricity

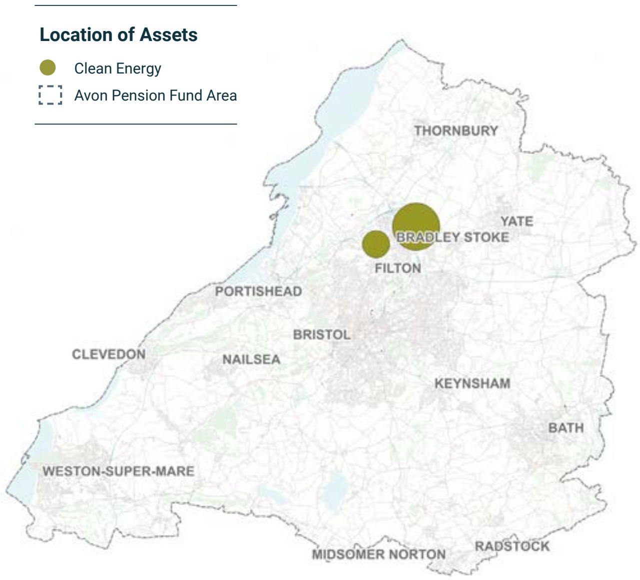
Wessex Gardens: Renewable Energy in Avon

2	10	7,782	7,859
SOLAR ASSETS IN AVON	SITE TECHNICIANS EMPLOYED ACROSS THE SOUTH WEST	HOMES POWERED[30]	TCO_2 AVOIDED[31]

Where possible, the fund seeks to go beyond core asset management by enhancing the ecological value of the sites. Some sites have introduced wildflower planting, hedgerow management, and biodiversity monitoring. Schroders Greencoat are also exploring further initiatives such as adding beehives on suitable land. These measures help to support local ecology alongside the delivery of clean energy.

Two solar farms are located in the Avon Pension Fund area and another three in close proximity. The two assets in Avon are in Patchway on top of industrial units at the Rolls Royce site which began operating in 2016, and Grange Farm, north of Bristol which became operational in 2014. Together these sites generate over 21,012 MWh of clean energy, the equivalent of powering approximately 7,782 homes, with 7,859 tCO_2 avoided. Local employer, Rolls Royce, have a Power Purchase Agreement in place with the fund to purchase electricity at a fixed price. This enables the fund to receive long-term stable income whilst Rolls Royce benefits from predictable energy costs and helps them to address their sustainability goals.

Wessex Gardens solar farm in Upper Wick, Stroud



[30] The number of homes powered is based on the average annual household energy consumption for renewable electricity generation using the latest reported figures and reflecting the fund's electricity generation.

[31] Carbon emissions avoided are reported using Schroders Greencoat's methodology, which follows Partnership for Carbon Accounting Financials (PCAF) guidance. This approach assumes that renewable generation displaces the marginal generator in the electricity system — the fossil-fuel power source (typically gas or coal) that would have been dispatched to meet demand in the absence of renewables. Emissions factors for the marginal generator (gCO_2/kWh) are sourced from the International Energy Agency (IEA, 2024).

8 / Next Steps for Avon Pension Fund's Local Impact Portfolio

Early stage of portfolio development

The Local Impact portfolio is still at a very early stage, with £140 million committed but only £50.6 million (36%) deployed as of March 2025. This means that much of the intended impact is yet to materialise, and current findings should be seen as a baseline rather than a full picture of long-term outcomes.

Additionality is emerging

Early signs of additional impact are already visible across the portfolio. Wessex Gardens has stabilised assets acquired out of administration, secured their long-term operation and is increasingly looking at ways of deploying remaining capital into new build solar sites and emerging technologies. This supports the Fund's net zero targets and contributes to regional strategic priorities. OAHF has demonstrated direct additionality by stepping in on stalled S106 homes, ensuring affordable homes were delivered. While the housing portfolio is currently addressing areas where affordability is a problem, additional impact could be achieved by targeting areas with relatively larger housing waiting lists. The SME portfolio is still immature; as it develops, it will be important to consider both job quality and inclusion alongside job quantity and growth.

Collaboration and scale

Avon's Local Impact portfolio demonstrates the importance of local collaboration. Wessex Gardens was established in partnership with six Brunel member funds; OAHF has also brought together multiple investors, including three other LGPS funds in the region, to address the UK's affordable housing shortage; and Avon invests in Foresight Regional Investment VII alongside Devon Pension Fund. These partnerships enable the funds to reach a scale that supports meaningful investment opportunities, whilst aiming to deliver positive impacts in line with shared regional and national priorities.

Strong alignment with regional needs

The Fund will continue to work with local stakeholders as well as its new pooling provider to deliver an additional 2% (c. £120m) local allocation in line with its three impact themes of affordable housing, clean energy, and SME finance. These themes directly address priorities identified in the West of England Strategic Framework, including tackling housing affordability, reducing carbon emissions, increasing green skills and jobs, and building a resilient and diverse business community. At this early stage, Avon Pension Fund is already demonstrating place-based alignment. As the Fund progresses, and in line with current LGPS reforms and the Fit for the Future consultation, we encourage the Fund to work with partners on understanding the South West's emerging Local Growth Plans to further inform and strengthen the Fund's investment approach.

About Avon Pension Fund

Avon Pension Fund is administered by Bath & North East Somerset Council with responsibility delegated to the Avon Pension Fund Committee, which is its formal decision-making body.

Avon Pension Fund runs the Local Government Pension Scheme (LGPS) for over 100,000 unique members who hold over 140,000 accounts. The members work, or worked, for over 450 organisations in Bristol, Bath & North East Somerset, South Gloucestershire and North Somerset.

About The Good Economy

The Good Economy is a leading, independent impact advisory firm. Grounded in theoretical rigour and with a broad range of expertise within our industry-leading team, our services are designed to help clients meet the growing demand for greater confidence and credibility in strategies that create positive impact or pursue sustainability outcomes.