



## Avon Pension Fund sets ambitious climate change targets and takes steps to mitigate the financial risk of climate change in review of equity portfolio

**To ensure Avon maintains its position at the forefront of climate-aware investing, it has today announced that it will be transitioning its entire legacy low carbon equity strategy (~£780m)<sup>1</sup> into the recently launched Paris Aligned Benchmark (PAB) developed by FTSE Russell and Brunel Pension Partnership.**

**As well as clearly defined activity-based exclusions in coal, oil and natural gas, the next generation index is designed to reward companies that generate green revenues and those that can demonstrate alignment with the Paris Agreement goals.** By investing in the PAB the Fund expects to deliver annual emissions reductions of at least seven per cent per annum.

In additional moves to contribute to real world emissions reductions the Fund has introduced two new climate change targets that reflect the Fund's ambition to become net zero by 2050 and a need to accelerate this trajectory over the next 10 years. **The targets will see the Fund reduce its absolute emissions in the equity portfolios by 43% by 2025 and 69% by 2030 compared to its 2020 baseline emissions.**

Recognising the inherent challenges in managing the financial risk of climate change in emerging markets will also see the Fund reduce its allocation to the asset class, choosing instead to concentrate its engagement efforts in developed markets where most of its capital is allocated. In these markets it can exert a greater influence and significant progress is already being made in collaboration with the Fund's partners including Brunel Pension Partnership, ClimateAction 100+ and Institutional Investors Group on Climate Change.

**Commenting on the decision, Avon Pension Fund Committee Chair Councillor Paul Crossley, said:** "With the progress Avon has made so far it is essential that we maintain momentum and continue to demonstrate leadership at this critical time. Protecting our assets for the benefit of our members, as well as managing the risks and opportunities that climate change presents, is an extremely complex task but with the most recent changes to our investment strategy I'm confident that we are taking the positive steps necessary to deliver on our pledge to be Paris-aligned across our investment portfolio".

**Shaun Stephenson-McGall, Avon Pension Fund Investment Panel Chair, said:** "This is the culmination of a lot of hard work on the part of the Committee and clearly demonstrates how we are actively responding to our members priorities. These changes mark a turning point in the Fund's approach to climate change as we move towards solutions that offer credible pathways to net zero. It is imperative that we continuously review our progress and I look forward to the next milestone in 2022 where we'll be taking stock of how our strategy has delivered against its goals with a clear message that divestment remains an option where companies fall short of our expectations. I am immensely proud of the role the Avon Pension Fund Investment Panel has had to play in helping to get this decision across the line".

**David Vickers, Chief Investment Officer at Brunel Pension Partnership, said:** "The new indices provide the industry with fresh tools to implement the Paris Agreement. We call on investors to quickly make use of the benchmarks in their quest to support the climate transition."

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<sup>1</sup> As at 31 August 2021

**About Avon Pension Fund**

The Avon Pension Fund administers the Local Government Pension Scheme (LGPS) for over 120,000 members across 440 employers in the former Avon area. Employers include local unitary councils, universities, academies, town and parish councils, housing associations and charities. The fund is worth £5.0 billion and in the top 100 of pension funds in the UK. The fund is administered by Bath & North East Somerset Council who are legally responsible for the fund. The council delegates its responsibility for administering the fund to the Avon Pension Fund Committee, which is its formal decision-making body.