

APF Investment Committee

Responsible Investment Annual Report 2024



2023 Responsible Investing Annual Report Recap



- Significant changes to the Fund’s responsible investment strategy took place in 2023, with a particular focus on climate change

“We commit to be Net Zero on financed emissions by 2045 across the whole Fund.”

- To help achieve this, we have set clear interim targets:
 - **By 2030 the Fund will divest from all developed market equity holdings in high impact sectors that are not achieving net zero or aligning to achieve net zero by 2050.**
 - **The Fund will reduce the carbon intensity of its listed equity portfolios by 43% by 2025 and 69% by 2030 (verses 2019 baseline).**
 - **By 2030 the Fund will reduce the carbon intensity of its corporate bond portfolio by 60% (verses 2019 baseline).**
 - **For listed equities, we will ensure 70% of financed emissions in material sectors are either aligned, aligning or subject to direct or collective engagement by the end of 2024 and 90% by 2027.**

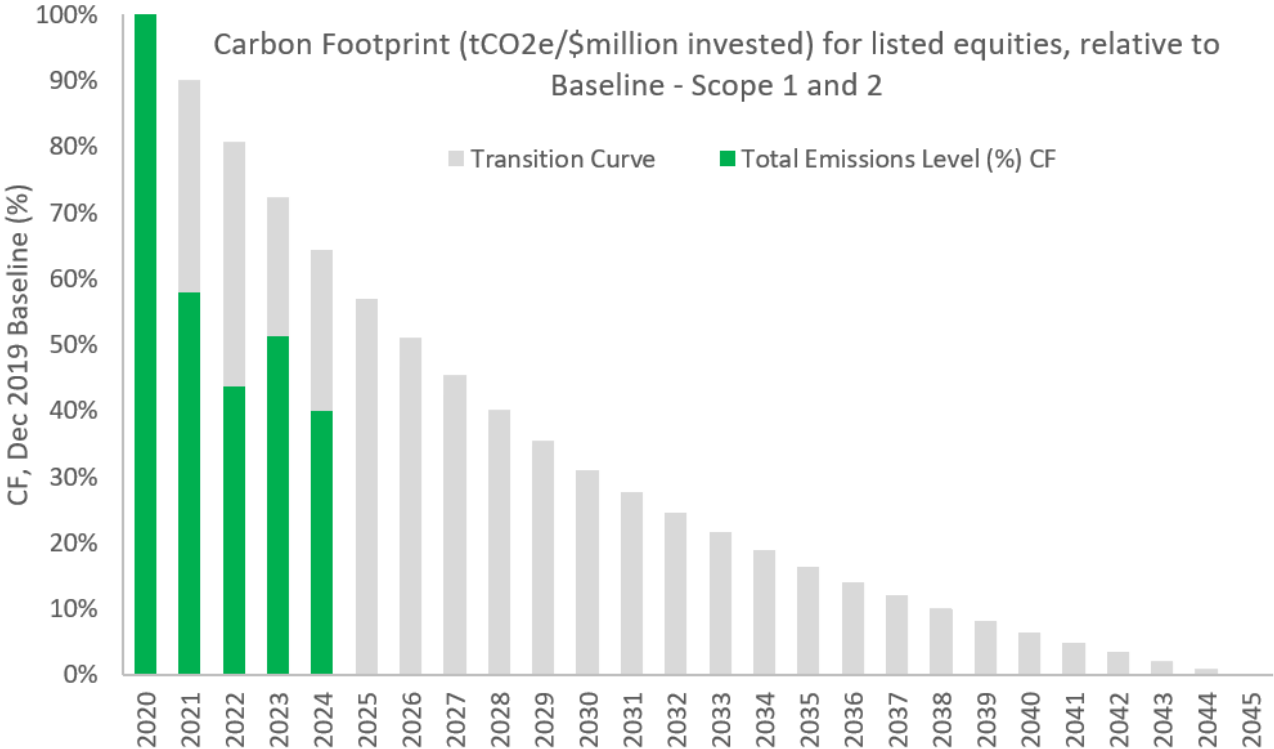
Responsible Investing Annual Report 2024



Building on the 2023 report, the 2024 report:

- Takes a features-based approach, less technical and lighter on governance to make the report more accessible to members
- Focuses on key areas where we have seen increased stakeholder interest and faced challenge through the year e.g. investing in conflict affected regions, sustainability in supply chains and local investment
- Progress on climate targets
- High profile engagement examples
- Introduces forward look section to help readership get a sense of what the Fund will be focusing on next year.

Net Zero 20245 - Climate Metrics & Monitoring

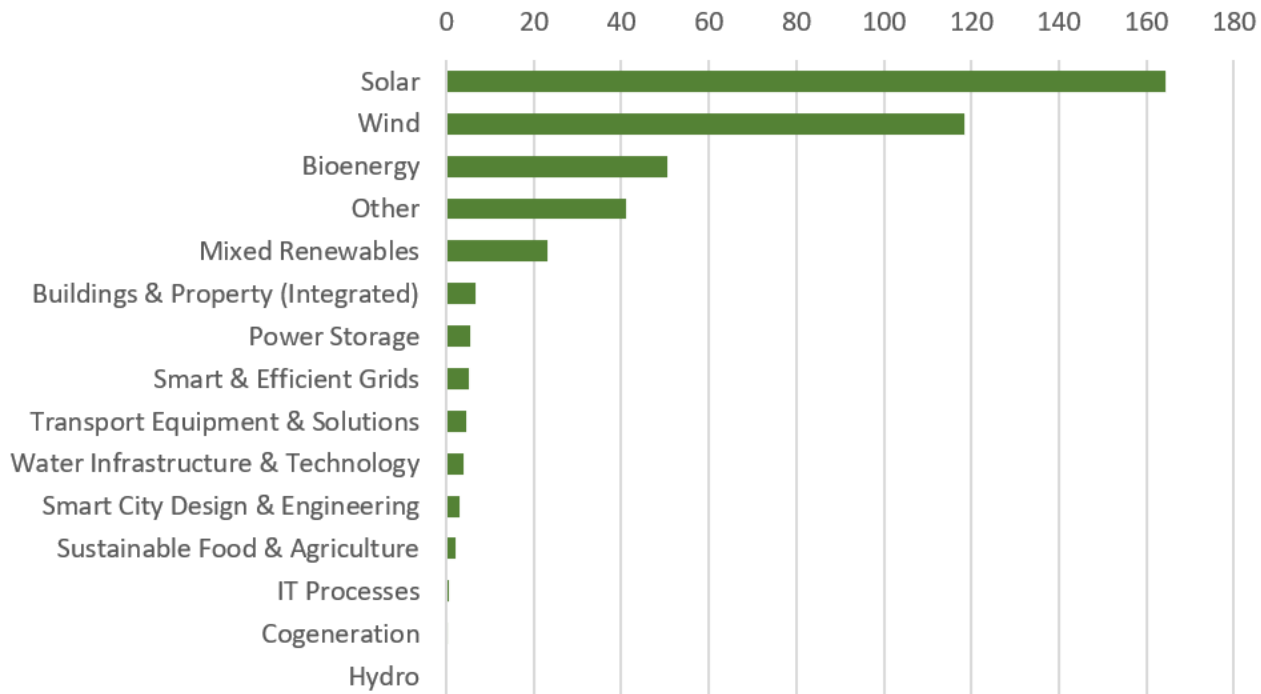


Source: Mercer

- Listed equity portfolio has delivered a 63% reduction in absolute emissions verses 2019 baseline year.
- Ahead of interim decarbonisation targets of -43% by 2025 and -69% by 2030.
- WACI - relative to the industry benchmark the aggregate portfolio is 34% more efficient (less carbon intensive).
- Going forward, reductions will be harder to achieve and will be driven by efficiency gains
- The corporate bond portfolio has decreased by c. 48% relative to the 2019/20 baseline. Hence, the Fund is currently ahead of the proposed decarbonisation pathway to achieve the interim reduction target of 60% by 2030.

Private Markets – Renewables

Capital Invested in Sustainable Infrastructure¹ (£'m)



- Total Fund investments in sustainable infrastructure totalled just under £500m
- Well diversified portfolio across asset classes and investment funds
- Investments span established renewable assets:
 - £165m invested in solar (across GIF, Secured Income, Brunel renewable infrastructure & Wessex gardens)
 - £120m invested in wind
- Energy transition assets – e.g. bioenergy, smart grids & power storage

Local Impact Portfolio – New for 2024

- In 2023 we agreed to invest £170m into a Local Impact portfolio, initially comprising three core pillars:

**Renewable
Infrastructure
(£50m)**

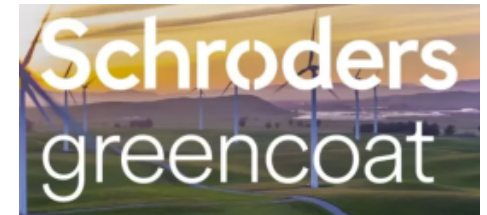
**Affordable
Housing
(£50m)**

**SME
Funding
(£10-30m)**

- Significant progress has been made so far in 2024, with £100m of capital already committed

1. Wessex Gardens – £50m commitment

- £330m invested in 17 local solar assets (Avon £35m), 8% projected return
- Contracted inflation linked revenues for 15+ years
- Uplift in valuation (from £232m to £245m) reflecting below market acquisition price
- Live pipeline to deploy remaining £15m which includes new build solar, batteries and geothermal



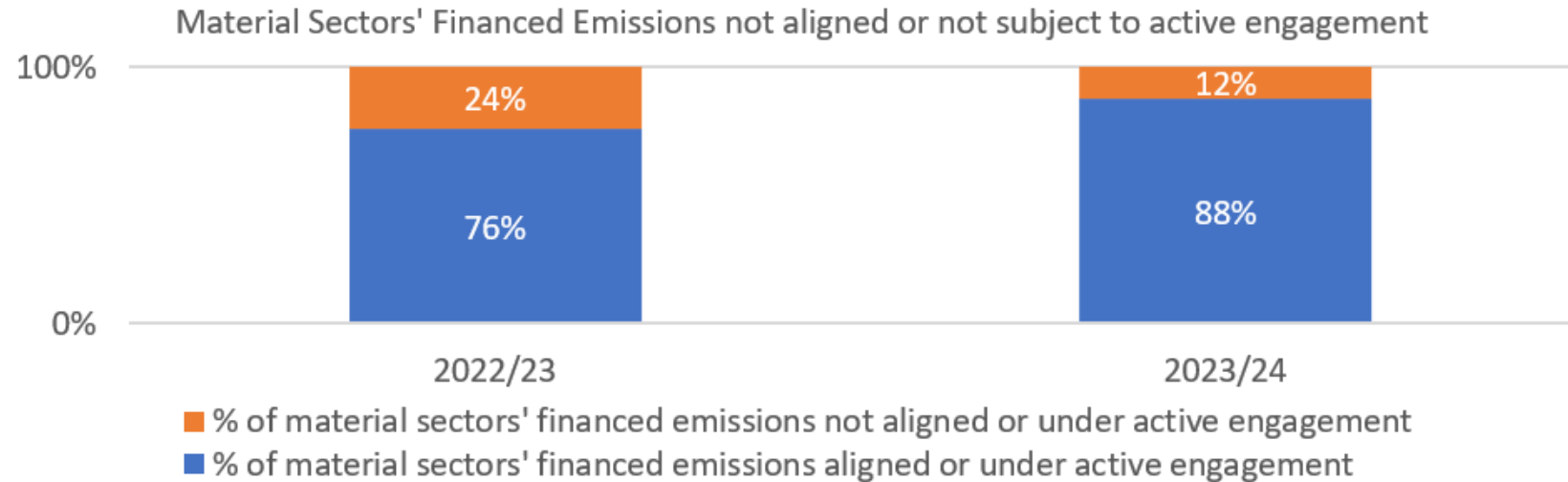
2. Octopus Affordable Housing Fund - £50m commitment

- Co-invest structure which includes £10m Avon sleeve
- Will fund around 250 new homes for up to 1,000 people

octopus real estate

3. Currently reviewing SME Funding managers

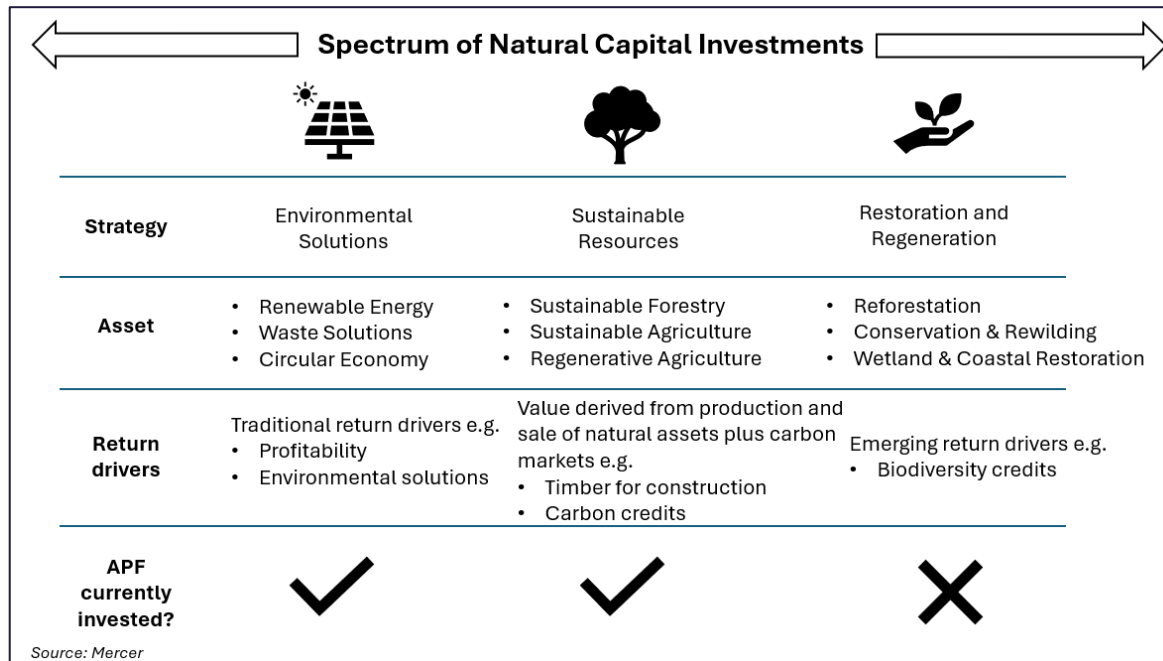
Stewardship



- Engagement and active ownership are central to the Fund's approach to ESG
- The report includes numerous case studies that demonstrates active engagement from both Brunel and EOS throughout the year
- Our engagement is strengthened through membership to organisations such as:



Natural Capital – New for 2024



- During 2024/5 the Fund will build on its existing natural capital investments, by making a dedicated allocation between £100-150m
- Next steps:
 - Significant interest across several Brunel partner funds
 - Implementation options currently being explored via Brunel
 - Fund undertaking training session with Panel in November to discuss viable options / preferred asset classes
- Case Study: Aurora Sustainable Lands (Brunel infrastructure portfolio)

APF Media Coverage

Avon Pension Fund makes
£50m affordable housing
investment

Investment will fund around 250 new homes
for up to 1,000 people

PROFESSIONAL
PENSIONS

Bath Business News
Online

Affordable housing move by West of
England pension fund as it looks to
invest more in local impact schemes

September 5, 2024

By Robert Buckland

BristolLive



Pension fund investing £50m to
boost affordable home supply



Pension funds to invest £230m in
South West solar farms

Avon Pension Fund invests £50m in affordable
housing

PENSIONSAge
The leading pensions magazine

North Somerset Council part of £230 million solar
investment

Weston
Mercury

Thank you



If you have any questions please contact:

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Avon
Pension
Fund



Your pension, your future