

## **Appendix B - Update on Officer activity following the RI day**

Officers are working with their advisors to develop the Fund's Responsible Investment strategy. A brief update of this together with a high-level timeline is set out below:

### **Net Zero**

A summary of initial thinking around how we might frame our Net Zero strategy is set out below:

- It is possible in 2023 to establish a portfolio that is Net Zero.
- The issue is that this portfolio is unlikely to be optimal in terms of risk, return and cost effectiveness.
- The problem we have as a Council to create meaningful debate on this issue (with other key stakeholders and the broader communities we are part of) is that we are not able to articulate this with data and we do not know where the 'gaps' are (for example, we may very well be able to in 2023 construct a Net Zero strategy that achieves the required level of return, but it introduces too much cost or risk to make sustainable). Without knowing what we are aiming for it feels difficult for us to move forward constructively.
- One avenue Offices are exploring is to develop a "parallel" portfolio that would meet a Net Zero position by 2030 ("BarNETZERO Target") and assess this under key investment risk / return lenses. This will allow us to identify how converged we are with the Target portfolio.
- We are then considering how we could map out a plan for converging towards the BarNETZERO Target" portfolio over the next 7 years.
- All future investment decisions will have a step which tests convergence with the BarNETZERO Target portfolio – if a decision puts us backwards in terms of convergence then that decision would need to be reviewed and justified.
- We could then use BarNETZERO Target as a means of identifying where the gaps are and use it as a means to influence key stakeholders in terms of our requirements (e.g. London CIV). We could publish BarNETZERO Target and use it as a means of engaging with our communities.
- To be clear – we would not fully converge with BarNETZERO Target if the risk / return / cost profile does not meet our broader requirements for the Fund (Principle 4).

Officers will engage with the Committee over the next five months to bring their thinking around BarNETZERO Target to life

### **Engagement**

Officers are keen that valuable resources are focused in areas that are likely to yield the greatest impact.

This is likely to mean developing relationships and seeking to influence our immediate key stakeholders (London CIV / LGIM / Federated Hermes, LAPPF) rather than seeking to engage in dialogue with companies directly.

Officers are working through the following steps:

Step 1 – Map out what happens currently, who does what, what policies are, what people have the most influence and what influence Barnet is likely to have directly

Step 2 – In understanding the landscape, Officers, in conjunction with their advisors, will develop a reporting framework around this for Committee together with an engagement plan for Officers and Committee, which could include meetings with key stakeholders, specific presentations, letters etc.

Step 3 – having understood the landscape, reporting and engagement strategy Officers will update its RI policy to reflect practices and processes developed

We have considered where we might have the most influence with our advisors and summarise our initial thinking below which we will seek to develop through 2023