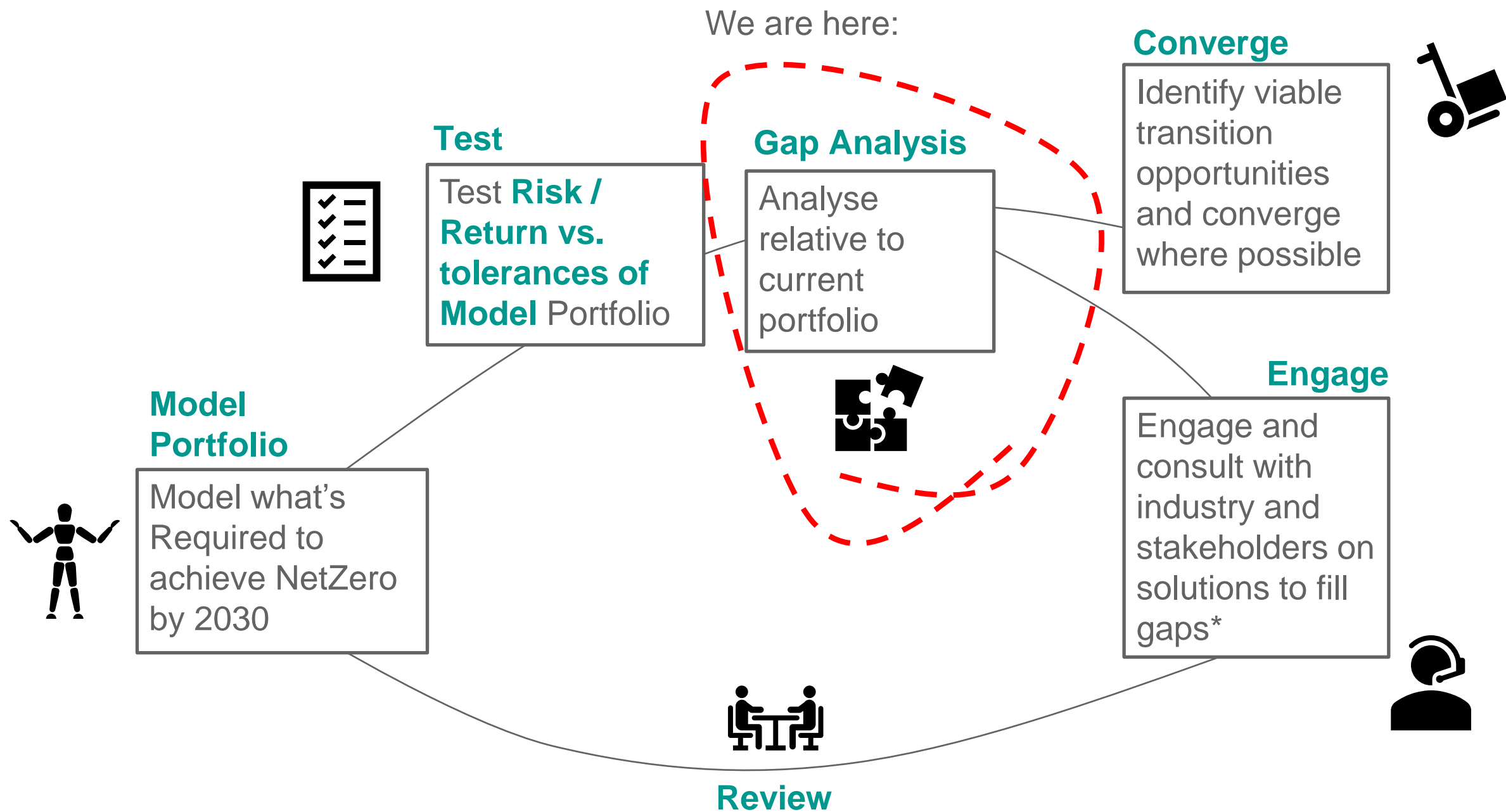


NOTE ALL DATA WITHIN THIS PAPER IS APPROXIMATE TO INDICATE DIRECTION OF TRAVEL AND SCALE – DATA CONFIDENCE WILL BE A KEY FACTOR IN ANY FUTURE DECISION MAKING

Barnet's approach to NetZero



*"Gaps" in this context means investments in the Model Portfolio that would be too risky or generate too low a return to be appropriate

Current Position

+ 300 - 350 KtCO₂

Pension Fund currently “emits”
300 - 350 KtCO₂ (this is
equivalent to the Carbon Output of
c50,000 Londoners
based on 2020 levels)

Fund not projected to be NetZero by 2050

2030 Ambition

+ 100 - 150 KtCO₂
(Core Assets)

- 100 - 150 KtCO₂
(Offsetting)

Model **2030 NetZero** Portfolio

Pathway suggests we aim to reduce emissions for **core** assets to

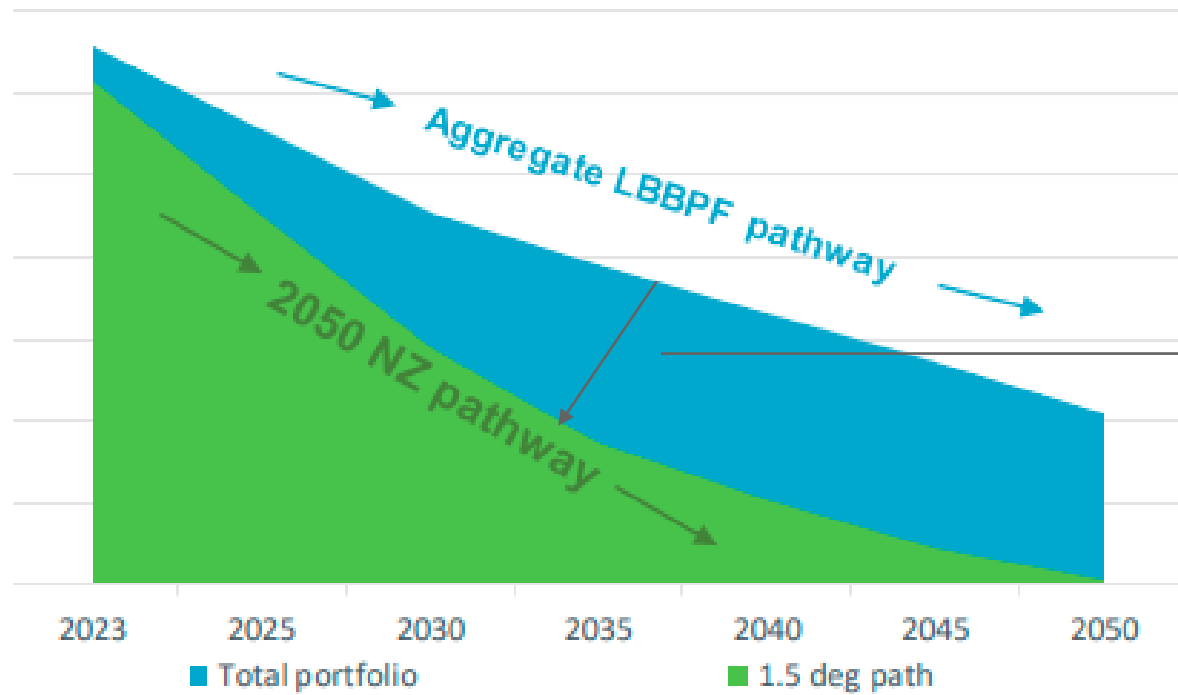
100 - 150 KtCO₂ by 2030

and “**offset**” these emissions through carbon reducing or mitigating assets (Timberland and Renewable Infrastructure)



Part 1 – Reducing Carbon in the Core

Absolute Emissions (KtCO2) to 2050



To target a NetZero position overall requires reducing emissions within the Core along a [Paris Aligned](#) trajectory.

There is a developing market in such funds, with LCIV having Paris Alignment (or better) as a key selection metric

Source: Hymans Analysis

Our Core Assets



Equities

Work underway

Transition 2024
(Private / EM later)



Fixed Income

Review 2024

Transition
2024 - 25



Property

Review 2024

Transition to be
determined



Asset Backed

Unlikely to meet
criteria - consider
Fixed Income
alternatives

Part 2 – Investing in “offsetting” assets



Natural Capital / Timberland

Generates income from selling timber as well as capital appreciation from underlying land. An increasing aspect of the return profile will be the Carbon Credit value of the asset.

An unknown asset class for the fund and so requires research etc. before proceeding.

Model NetZero Portfolio suggests significant allocation to this asset class



Renewable Infrastructure

Generates income and capital appreciation from renewable energy and the infrastructure around this.

Asset class includes established tech and / or higher risk / return opportunities from new tech. Typically, creates “avoided” carbon, rather than carbon reduction.

Model NetZero Portfolio suggests significant allocation to this asset class



Carbon Credits

Growing voluntary market in Carbon Credits for entities wishing to offset emissions. Unlikely a pension fund could use Carbon Credits to manage its Net Zero position without explicit employer funding and still meet its Fiduciary Duty.

Unresolved future fiduciary question as to whether credits generated as by-product of assets should be sold.

Our Model NetZero Portfolio gives us the framework to make decisions and engage

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	Current	Model
Core - Growth	30%	0%
Core - Growth Paris Aligned	0%	24%
Core - Income	70%	0%
Core - Income Paris Aligned	0%	56%
Offsetting	0%	20%
Expected Return (20 years relative to cash)	3.7% p.a.	3.7% p.a.
Variance (1 year)	12.10%	12.80%
Emissions (2030)	225 KtCO2	0 (NetZero)
Emissions (2050)	100 KtCO2	-33 KtCO2

Model Portfolio has similar expected return and variance, but with higher allocation and concentration to real assets

Source: Hymans Analysis

Convergence Steps

Current	Model Portfolio	Transition Ease	Next Step	Target convergence date
Equity	Paris Aligned Equity	Viable	Explore RAFI and LCIV alternatives	2024
Fixed Income	Paris Aligned Fixed Income	Viable – LCIV Funds may already comply but need to test	Review current portfolio	2024
Securitised Assets	Paris Aligned Fixed Income / Renewable Infrastructure	Hard – Securitised Assets not liquid and risk / return impact needs to be understood	Consider redeployment as current assets mature	Rolling to 2030 as asset classes mature
Property	Paris Aligned Property	Medium – no obvious LCIV Fund – needs to be investigated	Defer consideration to 2025	TBD (likely 2025 plus)
Infrastructure	Carbon Offsetting assets	Hard – unknown asset class	Explore Timberland as asset class (decision on allocation 2024) Explore Expanding RI Explore Green Tech	Partial Transition 2024