

**Pension Fund Committee  
5 June 2026**

**Responsible Investment and Governance Report**

**Report by the Deputy Chief Executive (Section 151 Officer)**

**RECOMMENDATION**

1. **The Committee is RECOMMENDED to**
  - a) **Note the contents of the report.**

**Executive Summary**

2. A summary of the results of the latest Carbon Metrics report prepared by Brunel for the Fund. This report provides a combination of forward and backward-looking data and analysis on the Fund's progress against a range of different metrics related to climate change. Overall, the Fund is assessed as being on a Paris Agreement-aligned pathway to meeting its target of having netzero emission portfolios by 2050, which is consistent with global temperature rises being held below 1.5-2°C.
3. An overview of recent stewardship activity carried out by LGPS Central. This overview indicates that there is a good alignment between the Fund's new pooling partner LGPS Central's stewardship approach and the Fund being able to meet its responsible investment commitments as defined in the Fund's Responsible Investment policy.
4. An update on the Fund's application to be a signatory to the UK's Stewardship Code
5. An update on the Fund's successful entry into the Man Group CoHo3 affordable housing fund.

**2025 Climate Metrics report:**

**Background:**

6. The Climate-related Product Report/Carbon Metrics is produced annually by Brunel for each of its member funds. Each report is designed to provide a better understanding of the impact the Fund's portfolios have on the climate. The report outlines various climate metrics for evaluating the potential risks and opportunities related to the Fund. Although there are limitations to some of the metrics and benchmarks used within the report; by adopting industry standards the reports

provide a way to compare the performance of these products with others across Brunel's whole offering, and the wider market.

7. Brunel prioritises the disclosure metrics for the Fund's listed equities and corporate bonds, as this represents two thirds of assets under management (AUM). The Climate-related Product Report is designed to provide detailed metrics and information regarding individual portfolios. This latest report uses data from 2025 up until 31<sup>st</sup> December.

#### **Performance Summary:**

8. The **Weighted Average Carbon Intensity (WACI)** measures the carbon intensity for companies for each unit of revenue. The Oxfordshire Aggregate Portfolio is below its Strategic Benchmark, with a 6% lower carbon intensity.
  - Compared to the 2024 figure there has been an increase of 17% in carbon intensity, vs a target of a 7.5% decrease.
  - Of the underlying Portfolios within the Aggregate, the highest intensity was the Brunel Global Sustainable Equities (238 tCO<sub>2</sub>e/mGBP), while the lowest one was the Brunel Sterling Corporate Bonds (96tCO<sub>2</sub>e/mGBP)
  - All underlying Brunel Portfolios within the Aggregate Portfolio have lower levels of carbon intensity compared to their respective benchmarks.
9. **Note on WACI**

Joby Aviation skews the headline WACI for the Global Sustainable Equities portfolio, making it 17% worse despite only being 0.1% of the portfolio. However, the company is developing zero-emission electric aircraft — exactly the kind of climate-solution investment that a forward-looking climate strategy should include. The WACI methodology penalises pre-revenue transition companies because carbon-to-revenue ratios are distorted by minimal revenue. This is a useful example highlighting that headline WACI alone is an incomplete measure of climate alignment.
10. **The Carbon to Value (C/V) Intensity** measures the carbon emissions associated with the portfolio per £1 million invested. The Oxfordshire portfolio has 31% lower carbon intensity than its benchmark, indicating stronger carbon efficiency.
  - Compared to the 2024 figure there has been a decrease of 8.3% in carbon intensity, vs a target of a 7.5% decrease.
11. The Oxfordshire Aggregate Portfolio is less exposed to both **fossil fuel revenues** (0.65% vs 1.65%) and **future emissions from fossil fuel reserves** (1.00 MtCO<sub>2</sub> vs 3.03 MtCO<sub>2</sub>) than its Strategic Benchmark.
  - The Oxfordshire portfolio has lower exposure to fossil fuel related revenues across industries than its benchmark.
  - The UK Active Equities portfolio has the highest fossil fuels exposure, followed by the Global High Alpha portfolio.

12. Company disclosures rates are based on Scope 1 emissions, where the rate of companies in the Oxfordshire Aggregate Portfolio for which fully disclosed carbon data was available is 38% (GHG weighted) and 28%(value weighted), indicating scope for improved reporting among investees.
  - The aggregate Scope 1 rate of 'full disclosure' for the investment weighted method is highest in the Brunel PAB Passive Global Equities (37%) and lowest in the Brunel Sterling Corporate Bonds portfolio (3%).

### Forward-looking scenarios

13. Brunel uses a range of different scenarios to model potential future impacts of climate change on the Fund's current portfolios. These scenarios include a variety of potential temperature rises and the resulting policy responses.
14. Scenarios are a useful tool for portfolios managers to engage in dialogue and to ask the right questions about holdings, they are not a tool to use in isolation. Brunel does not use these to make specific investment decisions.
15. Brunel reports on Paris Alignment, which illustrates the climate warming scenario of a portfolio, as well as two climate value-at-risk metrics: Physical Risk and Carbon Earnings-at-Risk, which focus on transition risks.
16. **Carbon Earnings-at-Risk** evaluates the financial implications of transitioning to a low-carbon economy, particularly in relation to carbon pricing. This helps assess how regulatory changes, technological developments, and shifts in consumer preferences towards sustainable alternatives may impact company financials.
17. The **Physical Risk** score quantifies the potential financial impacts of physical climate risks, including extreme weather events and long-term climate shifts. These risks can affect company assets, supply chains, and overall business resilience.
  - Extreme heat and water stress are the two highest physical risk areas for the companies in the Fund's portfolios.
18. The **Paris Alignment** metric describes the climate transition pathway or trajectory each company is expected to align to, to keep warming below 2°C, based on historic emissions trends and company targets.
19. Overall the methodology indicates that the Fund's portfolios are still on course for alignment with less than 1.5°C warming, as are most of the benchmarks. However, these scenarios should be treated with caution as current scientific evidence seems to be pointing towards higher temperatures than 1.5°C.

20. **Green Revenues** are assessed in the report, alongside other forward-looking indicators. Green Revenues provide insight into the proportion of a portfolio company's revenue derived from environmentally sustainable activities, enhancing the Fund's ability to assess its alignment with a low-carbon energy transition.
21. Nearly 20% of the revenues for companies in the Global Sustainable Equities portfolio are classed as green revenues. This is double the figure for the Global High Alpha portfolio and four times that of the UK Active Equity portfolio.

## **LGPS Central Stewardship Activity 2026-Q1**

22. Included as an additional paper is the LGPS Central quarterly Stewardship report for Q4 2025. Below is a summary of the main stewardship activities carried out by LGPS Central in Q1 of 2026.
23. Although Oxfordshire had not yet transferred pools to Central in Q1 of 2026 these stewardship activities are well aligned with our responsible investment policy, particularly on climate, human rights and deforestation. Officers are continuing to work with the RI and client teams at Central to ensure that Central's approach to RI is in line with the Fund's policies and commitments.

### **Engagement highlights**

24. **Alstom:** Engaged after being flagged for operations in conflict affected regions and the absence of a standalone human rights policy; discussions with the Head of Sustainability confirmed human rights risks are embedded within enterprise risk management, including double materiality assessments, identification of salient risks and governance oversight, providing comfort that risks are effectively managed.
25. **Shell:** Engagement focused on the development of an interim decarbonisation target; discussions with investor relations covered worker safety risks linked to the Iran conflict, confirmation that shareholder proposals will not be excluded from ballots, and an invitation to meet the Chair in September 2026 to discuss interim and medium-term decarbonisation targets.
26. **Holcim:** Engaged to encourage clearer disclosure of the pathway to achieving the 2030 clinker factor target, referencing its sector leading Carbon Capture and Sequestration roadmap as a template and encouraging market level pathways and capex disclosures; Central also pressed for clearer disclosure of board level ESG competence criteria, with the company confirming an external board assessment this year and disclosure in 2027, ahead of AGM voting.
27. **EUDR Letters:** Central co-signed letters to 10 European multinationals seeking clarity on their approach to the EU Deforestation Regulation,

which introduces due diligence requirements for forest risk commodities to prevent sourcing from recently or illegally deforested land, amid delays and an EU Commission simplification review of the regulation.

### Advocacy

28. **Australia Modern Slavery Act:** As part of consultations on reform of Australia's 2018 Modern Slavery Act, Central co-signed a letter to the Attorney General urging alignment with the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises and the introduction of mandatory, risk based due diligence to promote a proportionate, outcome focused approach.
29. **EUDR:** Central wrote to the European Commission opposing any weakening of proposed deforestation regulations due diligence requirements, a position reiterated by Investor Policy Dialogue on Deforestation colleagues in a recent meeting with EU policymakers and corporates.

### Voting

30. **Costco:** Voted against the remuneration report due to insufficient disclosure of annual bonus targets and concerns that executives were rewarded for the same outcomes under both the short-term and long-term incentive packages.
31. **Apple:** Voted against the remuneration report due to weak incentive stretch and repeated near maximum short-term incentive payouts, extending dissent to the Chair of the Remuneration Committee after four consecutive years of opposition to the remuneration report.
32. **Volvo:** Abstained on a binding shareholder resolution on climate lobbying disclosure; while supportive of the intent, concerns about reduced flexibility led to abstention, with follow up engagement planned to encourage leading voluntary disclosure.
33. **BP:** In May 2026 Central, as part of a coalition of investors alongside LAPFF and other partners, voted against key BP board resolutions and the re-election of the chair. The votes were in protest against BP rolling back climate goals, increasing fossil fuel investment, and attempting to restrict shareholder rights regarding climate proposals.
34. In total the company experienced very significant shareholder opposition, with nearly 20% voting against the appointment of the new Chair and over 50% opposing moves by the company to scale back climate disclosures and move to online only AGMs.
35. However, Central did not support a shareholder resolution requesting disclosures on capital discipline for oil and gas investments. This resolution received over 25% support from other investors including Brunel. It was also supported by LAPFF.

## **2026 Stewardship Code application**

36. At the end of May the Fund submitted its application to the FCA to continue to be a signatory to the UK Stewardship Code. The UK Stewardship Code 2026 establishes the core principles of effective stewardship and sets a high standard of transparency for asset owners and asset managers.
37. The Code is voluntary and being a signatory to the Code demonstrates an investor's commitment to stewardship and providing transparent reporting on the stewardship they undertake on behalf of their beneficiaries.
38. As 2026 is a transition year to a new reporting framework the Fund can submit its application in the knowledge that it will automatically continue as a signatory to the Code for this year. From 2027 the Fund's application will need to pass the FCA's assessment process to continue to be a signatory.

## **Affordable Housing Fund investment confirmation**

39. The Fund is pleased to report that on 14/05/26 it was admitted as an investor in the Man Group CoHo3 affordable housing fund, and its subscription for an initial commitment of £30,000,000 and a further conditional commitment of £25,000,000 was accepted. The Fund is looking forward to Man Group deploying our capital to build additional affordable housing in Oxfordshire.

### **Background Paper 1**

Oxfordshire Pension Fund Carbon Metrics report prepared by Brunel

### **Background Paper 2**

LGPS Central Stewardship Report for Q4 2025

## **Financial Implications**

7. There are no direct financial implications arising from this report

## **Legal Implications**

8. The legal implications section should be completed by a member of the legal service
9. This report has been prepared in accordance with the Oxfordshire County Council's (the "Council") responsibilities as the Administering Authority for the Oxfordshire Pension Fund.
10. As Administering Authority, the Council is responsible for managing and administering the Local Government Pension Scheme pursuant to the Local Government Pension Scheme Regulations 2013 ("LGPS Regulations 2013").
11. The Council as Administering Authority determines its own governance arrangements and the delegation of those responsibilities which is set out in the Council's Governance Strategy Statement (v 2025). Pension Fund Reports are a non-executive function and presentation before Cabinet is not required.
12. Oxfordshire County Council as Administering Authority for the Fund delegates all functions relating to the management of the Pension Fund to the Pension Fund Committee. Certain functions are then further delegated by the Pension Fund Committee to Officers in accordance with the Scheme of Delegation. Officers report decisions back to the Pension Fund Committee.
13. Regulation 53A (Appointments that must be made by administering authorities) of the LGPS Regulations 2013 to be implemented with effect from 1st April 2026 by the Local Government Pension Scheme Amendments Regulations 2026 will require the Administering Authority to have a senior Local Government Pension Scheme officer, "who has senior responsibility across all pension functions to ensure the fund is appropriately managed and resourced across administration, investment and governance matters" which must be in accordance with guidance issued by the Secretary of State. (S53A(1)) The senior Local Government Pension Scheme officer ("the senior LGPS officer") is a statutory role.
14. The senior LGPS officer role is responsible for all aspects of managing the Local Government Pension Scheme within the Administering Authority.
15. In carrying out its functions, the Pension Fund Committee must act within the statutory framework governing the Local Government Pension Scheme (the "LGPS"), including pursuant to the Local Government Pension Scheme Regulations 2013, the Administering Authority's required governance and administration requirements, and the approved Pension Fund Governance Policy and Scheme of Delegation.

16. The Administering Authority must have regards to and publish its Pension Fund Strategy and any revisions pursuant to s59 of the LGPS Regulations 2013.
17. Any procurement, contractual, or data handling matters connected with the implementation of decisions are managed in accordance with the Council's Contract Procedure Rules and Data Protection obligations. Further legal advice will be requested and provided where required. The senior LGPS officer has provided the legal team with full information relating to this report for review and consideration and answered any queries raised.
18. Both Section 151 Officer and the senior LGPS officer should approve pension fund accounts.
19. Legal team is assured that the Pension Fund Committee has taken appropriate advice to ensure the Committee fulfils its fiduciary duties to Scheme members and employers.
20. In view of all information provided, legal review of legislative and regulatory requirements, including impending enacted amendments to LGPS Regulations 2013, and the cogency of information provided by the senior LGPS officer who has consulted with the S151 Officer, the Pension Fund Committee Report, provided appropriate approval of pension fund accounts is provided pursuant to paragraph 70 above, the contents of this report satisfy the requirements of the LGPS Regulations 2013 (as amended) in respect of its administration, operation and management. The Council's legal team is satisfied that all regulatory, legislative and governance requirements pertaining to Oxfordshire County Council as Administering Authority are complied with, by the level of engagement, documentation provided for review, explanation and scrutiny offered by the senior LGPS officer and our opportunity for review.

### **Staff Implications**

21. There are no direct staff implications arising from this report.

### **Equality & Inclusion Implications**

22. There are no direct equality and inclusion implications arising from this report.

### **Sustainability Implications**

23. This report covers the main responsible investment activities and reporting of the Fund over the last quarter. As such it provides assurance that the Pension Fund is continuing to manage its sustainability-related risks and issues appropriately.

## Risk Management

24. There are no direct risk management implications arising from this report.

Lorna Baxter, Deputy Chief Executive (S151 Officer)

### **Background papers:**

Annex 1 - Oxfordshire Pension Fund Carbon Metrics report prepared by Brunel

Annex 2 - LGPS Central Stewardship Report for Q4 2025

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