

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Pension Fund Committee

**Date:** 7 September 2022

**Subject:** London CIV Passive Equity Progressive Paris-Aligned Sub Fund

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**Responsible Director:** Phil Triggs, Director of Treasury and Pensions

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## SUMMARY

This report provides a summary of the London CIV Passive Equity Progressing Paris-Aligned Sub Fund (“the PEPPA Sub Fund”) and compares the index differences between it and the Fund’s current low carbon passive global equity mandate.

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## RECOMMENDATIONS

1. The Pension Fund Committee is recommended to note the report.

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**Wards Affected:** None

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<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Being ruthlessly financially efficient	Ensuring good governance for the Pension Fund should ultimately lead to better financial performance in the long run for the Council and the council tax payer.

## Financial Impact

None

## Legal Implications

None

## **DETAILED ANALYSIS**

1. The PEPPA Sub Fund is a passive global equity strategy which aims to meet the requirements of the EU Paris-Aligned Zero Benchmark standard.
2. It has been designed by the London CIV for investors looking to implement a Net Zero strategy into their investment portfolio.
3. The PEPPA Sub Fund aims to track the performance of the S&P Developed Ex-Korea Large Mid Cap Paris-Aligned Climate Index with a tracking error of less than 0.5% p.a. and managed by State Street Global Advisors.
4. Given the Pension Fund was an early entrant into the sustainable global equity market, there were less investment options available at the time, with more sophisticated and sustainable products having since been developed.
5. Therefore, the report outlines the ESG process of the fund, the ethos on voting and stewardship, and provides a comparison of the PEPPA Sub Fund with the Pension Fund's current allocation to the LGIM MSCI World Low Carbon Target Index Fund.
6. The report provides a comparison of gross of fees performance, and a breakdown of investment management charges and transition costs.

## **LIST OF APPENDICES**

Appendix 1: London CIV Passive Equity Progressive Paris-Aligned Sub Fund (EXEMPT)