LGPS CENTRAL LIMITED

Climate Report

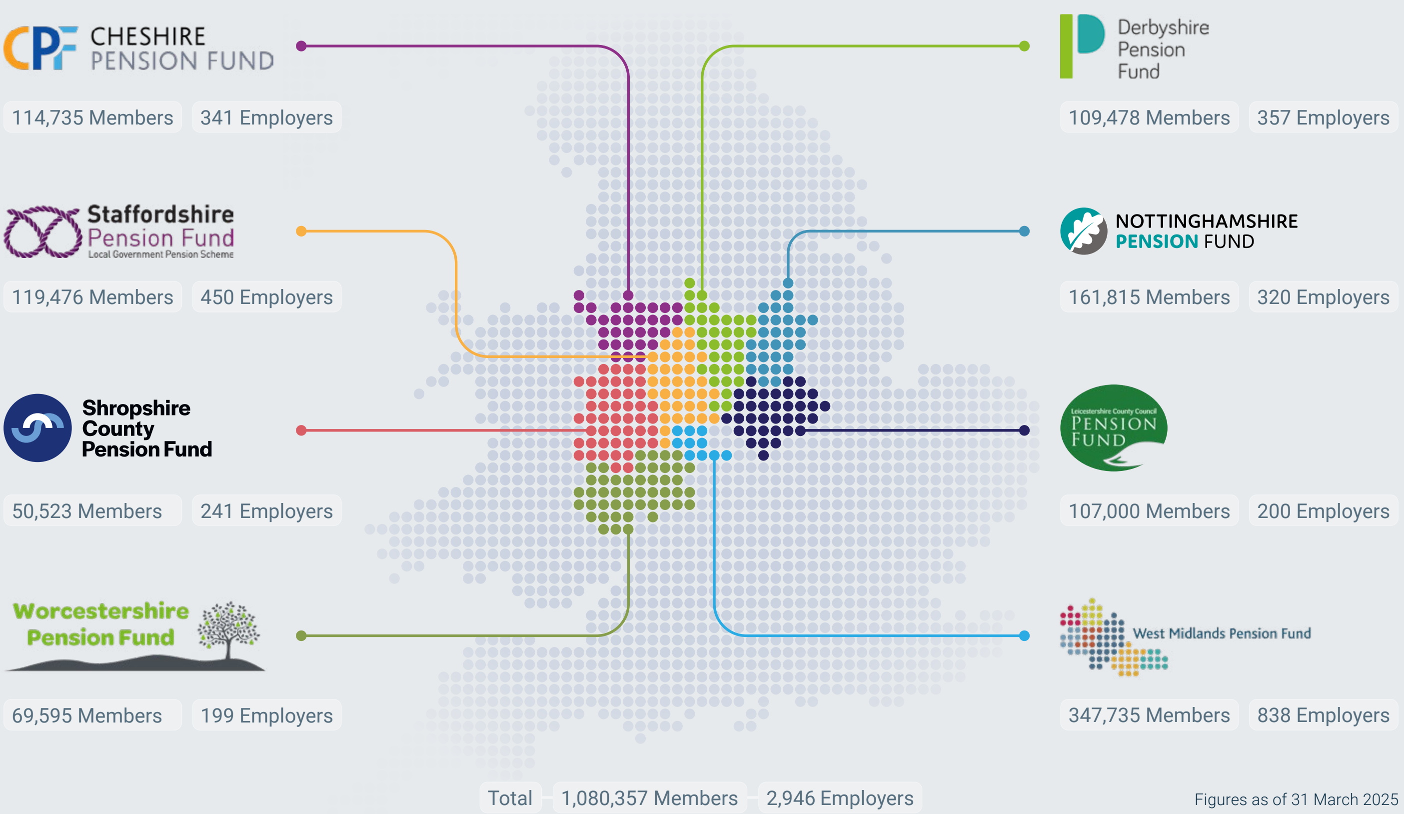
YEAR ENDED 31 DECEMBER 2024

CLASSIFIED AS CONFIDENTIAL

About LGPS Central

LGPS Central Limited (the Company) has been established to manage the pooled investment assets of eight Local Government Pension Scheme (LGPS) funds across the Midlands (our Partner Funds).

The combined assets of our Partner Funds are approximately £61 billion (2023: £56 billion), managed on behalf of over one million LGPS members and over 3,000 participating employers. The Company is jointly owned on an equal-shares basis by eight administering local authorities.



Figures as of 31 March 2025

Why pooling?

Pooling assets helps reduce costs, improve investment returns, strengthen governance and widen the range of available asset classes for investment, all for the benefit of our Partner Funds and their pension scheme members and beneficiaries.

The Company creates the investment vehicles our Partner Funds require. Through professional investment management and external fund manager selection, we deliver the investment returns Partner Funds need to secure pension payments to their scheme members and dependents for the long-term.

At the heart of our work is a commitment to responsible investment. We believe that the integration of responsible investment factors supports long-term risk-adjusted returns and we have made responsible investment a core part of our investment process in every asset class and in every investment mandate we hold. The scale of combined assets in the Pool helps to make our responsible investment practices and interventions more effective.

The Company is authorised and regulated by the Financial Conduct Authority (the FCA) to operate as an Alternative Investment Fund Manager (AIFM). In this capacity, the Company acts as the operator of a collective investment vehicle called an ACS. We also manage other collective investment vehicles and provide discretionary and advisory services under our Markets in Financial Instruments Directive (MiFID) II authorisation.

Funds are managed through a combination of our in-house management team (for passive equities) and delegated managers. We are responsible for the selection and ongoing oversight of the delegated managers.

We are supported by our external partners for the provision of administration services: for the ACSs, Northern Trust provide depositary, administration and middle-office services (the latter for LGPS Central ACS only). Northern Trust is also the depositary for the limited partnerships, for which State Street provide administration services.

Contents

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Images (Top to Bottom): Chester, Cheshire
Bamford Edge, Derbyshire
Wilton Park, Melton Mowbray, Leicestershire

Foreword

Statement from Chair and Chief Executive Officer


Sherwood Forest, Nottinghamshire

FOREWORD BY:

Joanne Segars
Chair

Richard Law-Deeks
CEO

The 2020s are often referred to as the critical decade for climate change action. As we arrive at the middle of the decade, the economic and social consequences of global warming are quickly coming to the fore. The frequency and intensity of natural disasters are increasing in step with global temperatures, which are drawing worryingly close to 1.5C above pre-industrial levels. Sectors from agriculture to insurance to tourism are being forced to reconsider business models, with significant ramifications for investors.

With our Partner Funds' best financial interests guiding our approach, LGPS Central Limited remains steadfastly committed to integrating climate change considerations into our investment processes. We strongly believe that, despite the recent political challenges to the investment management industry around responsible investing, those companies which are preparing to manage climate risk and capitalise on transition opportunities have a distinct advantage in their capacity to provide long-term sustainable returns.

This report, our fifth annual climate disclosure, offers a detailed insight into our identification, assessment, and management of climate risks. Over the past year we have further embedded ESG (Environmental, Social, and Governance) factors into our investment processes, strengthened our engagement with external managers and portfolio companies, and continued to refine our approach in response to evolving market developments and regulatory expectations. Transparency and accountability remain central to this approach, and we are committed to reporting on our progress in line with industry best practices.

Through the disclosure of our approach to climate in this report, we seek to demonstrate how we discharge fiduciary duty pertaining to climate risk and opportunities. As the global response to climate change and other ESG challenges evolves, we will continue to focus on refining our approach in line with industry best practice and the best interests of our Partner Funds.

About the Report

As a regulated Alternative Investment Fund Manager (AIFM) under the oversight of the Financial Conduct Authority (FCA), we are obligated to publish both entity and product level climate disclosures. This document serves as the entity report, while product specific reports can be accessed separately on our website.[1]

This report follows the recommended disclosures outlined by the Task Force on Climate-related Financial Disclosures (TCFD). Additionally, it incorporates the TCFD's Supplemental Guidance for the Financial Sector. We also incorporated FCA's ESG Sourcebook requirements in preparing this report.

Due to the nature of our activities, our financed emissions (scope 3, Category 15: Investment)[2] represent the largest contributor to our carbon footprint. Therefore, this report will primarily focus on our scope 3 emissions, which in this case relate to the emissions associated with our investment portfolios (in other words, the scope 1 and scope 2 emissions of the companies in which we invest). We acknowledge that our carbon footprint extends beyond financed emissions, and we must consider the emissions associated with our own operations. While these emissions are small in comparison to those associated with our investments, they are nonetheless important to our continuing commitment to being a responsible investor. As part of our commitment, we have published our strategy to reduce these emissions, alongside our efforts to date.[3]

FIGURE 1: CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES

GOVERNANCE

The organisation's governance around climate-related risks and opportunities.

STRATEGY

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

RISK MANAGEMENT

The processes used by the organisation to identify, assess, and manage climate-related risks.

METRICS AND TARGETS

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

This report has been presented to the Board and the Executive Committee, and approved by Patrick O'Hara (Head of Responsible Investment & Stewardship). The disclosures in this report are consistent with our obligations under the ESG Sourcebook.

Signed:

[1] Product specific reports available on our website.
[2] GHG Protocol, Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Available on GHG Protocol website.
[3] Our strategy for reducing operational emissions and current efforts can be found on our website.

Executive Summary

LGPS Central's 2024 Climate Report marks the fifth edition of our entity level climate disclosure and the second year it is a mandatory requirement under the FCA. Our approach to climate risks and opportunities is summarised below.


Shropshire Countryside

Governance

We have a robust governance structure underpinned by the Board's oversight of all the Company's Responsible Investment & Stewardship (RI&S) activities. Operationally, these activities are delegated to the Executive Committee (ExCo) and the Investment Committee (IC). Comprehensive policies and frameworks are in place which undergo regular board reviews and outline what we adhere to in our day-to-day operations.

Strategy

We identify climate-related risks and opportunities that affect our business and investments, including policy changes, technological changes, changing weather systems, climate adaptation, and resource scarcity. We have developed specific ambitions, products and services on climate, such as the Net Zero Strategy For Financed Emissions, Climate Risk Monitoring Service (CRMS) and our climate funds. Analysis of climate (as well as other ESG factors) is also integrated into all of our investment decision-making, as required by our Responsible Investment Integrated Status (RIIS) procedures. Furthermore, we continue to assess the outputs from tools, such as climate scenario analysis and utilise the outputs accordingly.

Risk Management

The management of climate risk is aligned with the organisation's Risk Framework and managed in a similar manner to other investment risks. These risks are managed within the three lines of defence model: business units > risk & compliance > internal audit. Identification, assessment and management of climate risk is primarily done through ESG integration and supported through stewardship.

Metrics and Targets

We utilise a range of metrics to align with FCA requirements and Department for Levelling Up, Housing & Communities[4] (DLUHC) guidance including reporting absolute emissions, emissions intensity, and net zero alignment. Our scope 1 and 2 greenhouse gas (GHG) emissions for listed equity and corporate fixed income, relative to 2023, are as follows:

Financed emissions:	718,128 tCO_2e ↓ 7.8% vs 2023
Normalised financed emissions:	43.5 tCO_2e/£M invested ↓ 13.9% vs 2023
Weighted average carbon intensity:	75.0 tCO_2e/£M Sales ↓ 8.5% vs 2023

[4] The Department for Levelling Up, Housing and Communities has since become the Ministry of Housing, Communities and Local Government. However, as the TCFD guidance was published under DLUHC we will refer to DLUHC when discussing this guidance.

Governance

FIGURE 2: LGPS CENTRAL GOVERNANCE STRUCTURE

Board Oversight

The purpose of the Board is to promote the success of the Company by collectively directing and supervising the Company's affairs, whilst meeting the appropriate interests of its shareholders and other relevant stakeholders. The Board invests significant time and effort to ensure our governance framework operates effectively throughout the Company.

In July 2024, the Board approved the terms of reference for the Investment Oversight Committee (IOC), which provides oversight of fund and investment service performance, including RI&S, with the Board delegating responsibility for the approval of the RI&S Policy and Framework to the IOC, with any key points or issues escalated to the Board.

Throughout the year, the Board routinely receives updates on RI-related issues such as our Net Zero Strategy, regulatory horizon scanning, company watchlist,[5] and services delivered to Partner Funds. These updates are considered on an ongoing basis alongside the Board's other activities, including:

- Business plan and budget discussions, where responsible investment features prominently.
- The Audit, Risk, and Compliance Committee (ARCC) commissioned a review of this report and accompanying processes by our internal auditor, in anticipation of upcoming obligations on climate reporting by the FCA.

The Board's training[6] and oversight of RI operations ensure it has the capacity and capability to effectively respond to climate risks.

[5] LGPS Central maintains and monitors a company watchlist compromising of portfolio companies and more general themes which may pose significant reputational risk.
[6] Board training is listed in more detail on page 9.

Our RI&S Governing Documents

These policies and frameworks provide guidance on how we invest responsibly to achieve positive long-term outcomes for our stakeholders. The documents consider the requirements of all our internal and external stakeholders and are regularly reviewed to stay up to date with latest industry developments.

RI&S Policy and Framework

The Policy sets out the Company's approach to RI&S and is supplemented by the Company's overarching framework for identifying, assessing and managing ESG-related risks and opportunities across our investments. In the RI&S Framework (the Framework), we explicitly outline our approach to climate change.

In 2023, the Board endorsed a review of our Investment Risk Policy and Framework, prompting a similar exercise for RI&S policies. The revision of our RI&S Policy and Framework was conducted collaboratively with colleagues across the Company. Subsequently, IC and then ExCo reviewed these changes before they were approved by the Board in April 2024.

Going forwards, and following the creation of the IOC, the approval of this Policy and Framework have been delegated by the Board to the IOC and are reviewed annually. The Framework can be found on our website.[7]

Voting Principles

The annual review of our Voting Principles reflects voting trends and reinforces our expectations of companies regarding core stewardship priorities as they evolve. It aligns with current best practices[8] and disclosure policies for investors concerning voting and is in line with approved stewardship objectives. We expect companies to incorporate material ESG risks and opportunities into their long-term strategic business planning, and we form our voting opinions holistically. This includes the incorporation of specific voting frameworks on material climate-related matters. Our Voting Principles are available on our website.

Responsible Investment Integrated Status (RIIS)

RIIS refers to a set of customised procedures bespoke to the specific asset class and/or strategies in which the Company invests on behalf of Partner Funds. Adherence to these specific procedures serves as the foundation for IC to approve the launch of an investment product, appoint delegated managers, and/or approve ongoing reviews of such products and managers.

Net Zero Strategy for Financed Emissions

The strategy, launched in 2023 and approved by the Board, builds upon our commitment made in early 2022 to achieve net zero financed emissions by 2050 or sooner. It includes a series of interim milestones across a range of assets classes, detailing our current position and the milestones that we aim to achieve. The strategy will be discussed further throughout the report. The full text of the strategy can be found on our website.[9] Progress towards the achievement of this strategy is monitored by the Board, ExCo, and IC through their annual review of LGPS Central's climate reports.

[7] LGPS Central Responsible Investment & Engagement Framework. Available through our website.
[8] We consider best practices as those which are recognised by the industry as aligned with the highest standards.
[9] LGPS Central Net Zero Strategy for Financed Emissions. Available through our website.

Management's Roles and Responsibilities

Responsibility for implementing the Framework lies with ExCo. ExCo delegates the day-to-day management of the RI&S considerations associated with our investment products to the Investment teams, with oversight from IC and the CIO. Among ExCo's current responsibilities is the oversight of our Net Zero Strategy for Operational Emissions.[10] The Corporate Scorecard,[11] includes a responsible investment and stewardship metric.

IC reports directly to ExCo. The Head of RI&S, who leads the RI&S team, holds responsibility within IC for the activities covered by the Framework. This includes reviewing and proposing changes to the Framework. The Head of RI&S is a member of IC and the Private Markets Investment Committee (PMIC).

To encourage ownership of outcomes, each business unit within LGPS Central is encouraged to manage its own RI&S activities. The business units receive support from the RI&S team, which regularly coordinates with colleagues across the Company. This includes regular interactions with colleagues in each asset class across the broader Investment team, as well as colleagues across other functions including Client Services, Operations, Legal, People, and Compliance.

LGPS Central RI&S Champions Network

The RI&S Champions Network (the Network) is an inter-departmental working group focused on enhancing RI&S integration across all investment functions. It includes delegates from asset class teams within the broader Investment teams and the RI&S team, fostering collaboration and shared responsibility. The Network empowers investment teams to actively contribute to RI&S integration throughout the investment lifecycle and to take ownership of responsible investment processes within their asset class. It facilitates regular updates to RI&S policies and processes ensuring input from asset class experts to achieve compliance with best practice. The Network was approved by IC in November 2023, and the first meeting of the Network was held in April 2024. External training was provided soon afterwards to members of the Network on the use of our suite of internal and third-party ESG analysis tools.

Ongoing Education and Training

Numerous methods are implemented to maintain a high level of RI&S knowledge among all colleagues. RI&S training is provided for new hires, delivered by a member of the RI&S team. This meeting serves to familiarise the new starter with the roles and responsibilities of the RI&S team. Further ongoing training initiatives are extended to current colleagues through diverse channels, including optional in-person "Lunch and Learn" sessions. Topics covered in recent sessions include Net Zero, Natural Capital, and Stewardship & Engagement. Further mandatory training will be rolled out as part of LGPS Central's training suite in 2025.

Senior management also receive dedicated RI training. RI updates, including current climate-related risks and opportunities, are a recurring item on meeting agendas at Board level, and address various topics such as achieving net zero, stewardship, and regulatory compliance.

In 2024 the board received the training and updates below:

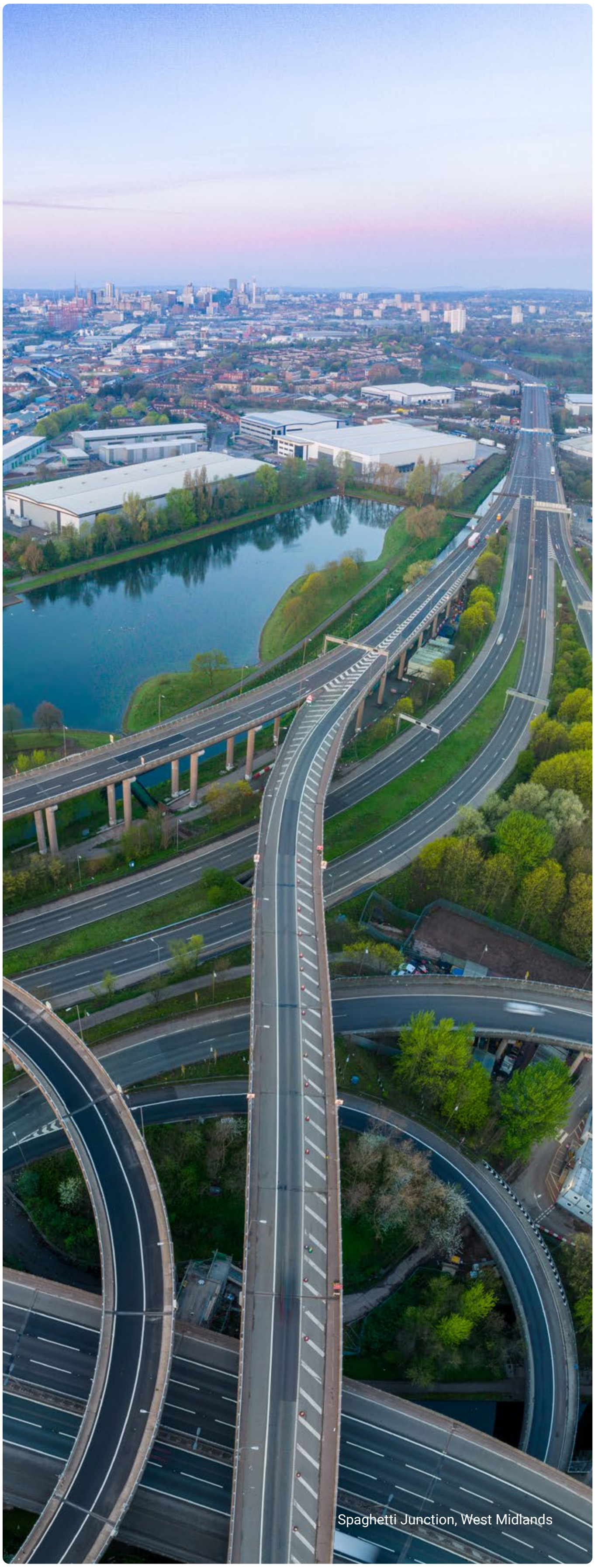
Board review of RI Governance documents, Voting Principles, RI Framework, RI Policy, Voting and Engagement Watch List	April
RI Update on Engagement, Integration and Net Zero including the AGM season	July

The RI&S team also hosts an annual RI Summit, in which industry leaders are invited to speak on a range of RI topics, including climate change, in an all-day event. Attendance at this summit is strongly encouraged for all Partner Funds and colleagues, including Board members. This event serves as a valuable opportunity for attendees to enhance their technical understanding of emerging risks and opportunities within RI.

Equal attention is dedicated to ensuring that our Partner Funds receive consistent and high-quality training on RI topics. As well as the RI Summit, members of the RI&S team frequently conduct training sessions with our Partner Funds either in-person or virtually. An example of these regular sessions is the presentation that accompanies the publication of the Partner Funds' Climate Risk Management Reports; a comprehensive explanation and discussion of the findings contained in the report is presented and discussed, questions on the content and broader climate considerations are encouraged. Further training sessions also take place relating to stewardship and net zero. The frequency of these sessions is typically determined in collaboration with the Partner Fund to ensure that they align with the Partner Funds' specific needs and preferences.

[10] Further information can be found on our website.
[11] Which replaced the Board level KPIs.

Strategy


Spaghetti Junction, West Midlands

Shaping a Climate Resilient Strategy

To deliver value and positive outcomes to our stakeholders, we prioritise the needs of our Partner Funds in all our activities and maintain regular communication with them. At the heart of our work is a commitment to responsible investment. This commitment reflects our belief, which is in alignment with our Partner Funds, that responsible investing supports long-term risk-adjusted returns.

Across our investments, climate considerations are integrated across short-, medium-, and long-term horizons, aligning with the investment time horizons specified in investment mandates. This is demonstrated by the time horizons we selected for our Net Zero Strategy, where we have scheduled a short-term review in 2026, an interim target in 2030, and a long-term ambition for 2050. Broadly, the time horizons we use are:

TABLE 1: CLIMATE CONSIDERATIONS TIME HORIZONS

Short-term	Medium-term	Long-term
0-3 years	3-10 years	Up to 2050

The factors we considered in determining these horizons include:

- Our mandate review cycle, which is typically at the 3-year anniversary.
- Partner Funds' investment and funding strategies.
- Risk/economic models used by our ESG solutions providers.
- Regulatory requirements.


Cotswold Hills, Worcestershire

LGPS Central Net Zero Strategy for Financed Emissions[12]

We launched our Net Zero Strategy in 2023 following consultation with internal and external stakeholders. The design of LGPS Central's Net Zero Strategy is based on a twin-track target and implementation framework that covers all public market and private market pooled assets. It has two objectives:

- To decarbonise our pooled assets to net zero by 2050 or sooner, while achieving interim climate targets for each asset class.
- To contribute towards the global effort to reduce global emissions and achieve the goals of the Paris Agreement.

We have summarised our climate targets in the following table.

TABLE 2: LGPS CENTRAL CLIMATE TARGETS

Pooled Assets

Portfolio Target: Net zero (scope 1 & 2 CO_2e) financed emissions by 2050 or sooner

Listed Equities & Corporate Bonds

Asset-class Targets

Emission-reduction Targets

50% reduction in (scope 1 & 2 CO_2e) financed emissions in 2030

Reduction of (scope 1 & 2 CO_2e) financed emissions per £m invested:

50%	60%	80%	90%	100%
in 2030	in 2035	in 2040	in 2045	by 2050 sooner

Footprinting Targets

Track relevant scope-3-category emissions of top 20 companies by scope 3 financed emissions in 2024

Alignment and Engagement Targets

Engagement with external managers on LGPS Central's net zero strategy and stewardship programme: 100% in 2023

Engagement threshold targets for companies from "material sectors":

	Listed equities & corporate bonds	Active equities	Passive equities	Corporate bonds
2025	80%	85%	75%	85%
2030	90%	90%	90%	90%

Portfolio coverage targets for companies from material sectors:

	Active equities	Passive equities	Corporate bonds
2030	50%	60%	50%
2035	75%	80%	75%
2040	100%	100%	100%

Sovereign Debt & Private Markets

Asset-class Targets

Emission-reduction Targets

Net zero (scope 1, 2 & Scope 3, category 13 CO_2e) financed emissions by 2050 or sooner for direct property investments based on a "whole-building and operational approach"

Footprinting Targets

Carbon footprints for all assets in 2024 using:

- estimated scope 1 & 2 CO_2e emissions data for sovereign debt
- estimated scope 1 & 2 CO_2e emissions for private market assets

Carbon footprints for all assets in 2025 using:

- estimated scope 1 & 2 CO_2e emissions data for sovereign debt
- estimated and actual scope 1 & 2 CO_2e emissions for private market assets

Alignment and Engagement Targets

Engagement with external managers on climate targets and data: 100% in 2023

[12] LGPS Central, Portfolio & Real-World Decarbonisation in Public and Private Markets: Net Zero Strategy for Financed Emissions. Report can be accessed on our website.

Chester, Cheshire

Material Climate-Related Risks and Opportunities

As a diversified asset manager, the range of climate-related risks and opportunities are multifarious and constantly evolving. A subset of risk and opportunity factors are presented in the tables below.

TABLE 3: EXAMPLE OF SHORT-, MEDIUM- AND LONG-TERM CLIMATE-RELATED RISKS AND OPPORTUNITIES

Source of Risk and Opportunities	Category	Risk or Opportunity	Time Horizon	Impact Area	Mitigation / Management Strategy
Policy Changes (Including Carbon Pricing)	Transition	Risk and Opportunity	Short Medium Long	• Across investments and funding • Investments in carbon-intensive and low-carbon industries • Operational	• Monitor potential regulatory changes (domestic and international) and consider the impact of these changes on our approach to investments and internal operations. • The achievement of LGPS Central's Net Zero Strategy will mitigate the impact of increasing carbon prices. • Monitor manager preparedness and awareness of changing carbon prices across relevant markets, alongside their awareness of low-carbon alternatives which may benefit from rising carbon prices. • Consider impact of likely policy changes in strategic decisions.
Technological Change	Transition	Risk and Opportunity	Short Medium Long	• Across Asset Classes	• Monitor potential technology disruptors. • Monitor manager awareness of emerging and disruptive technologies. • Consider impact of these changes in strategic decisions.
Changing Weather Systems and Climate Adaptation	Physical	Risk and Opportunity	Short Medium Long	• Physical Assets • Corporate Holdings	• Carry out scenario analyses on various climate scenarios to assess impact. • Ensure adequate consideration of both acute risks (floods, storms, etc) and chronic risks (damages associated with rising sea levels, global temperature increases, etc). • Monitor the market for investment opportunities in climate adaptation projects. These could include large-scale infrastructure projects such as floodwalls, alongside technological products such as AC units and other cooling systems. • Monitor portfolio company's assessments of extreme weather impacts on their operations.
Resource Scarcity	Physical	Risk	Medium Long	Physical Assets	• Monitor manager awareness of resource scarcity. • Special consideration to agricultural holdings.

Impact of Climate on Our Planning and Strategy

We aim to offer products and services that help Partner Funds manage the risks and opportunities associated with the climate transition. As such, all our mandates and strategies are developed in collaboration with our Partner Funds. In addition to our CRMS, we have launched several climate-focused funds. Our All World Climate Multi Factor Fund and Global Low Carbon Multi Factor Fund are designed to reduce the exposure to the risks associated with climate change. These funds seek exposure to five style factors while tilting away from carbon intensive companies or those owning fossil fuel reserves and tilting towards companies generating green revenues. Our Global Sustainable Equity Funds go beyond ESG integration (which we expect from all our external managers) to capture sustainability factors as sources of alpha.

All our investment products adhere to their specific RIIS guidelines, which dictate that ESG considerations, including climate change, must be integrated in all investment processes across the asset classes. We consider and monitor external managers' approaches before appointment and on an ongoing basis. We would not appoint an external fund manager if we were not confident that financially material climate-related risks were being managed in accordance with fiduciary responsibility. Our expectations are typically included in investment management agreements, limited partnership agreements, or side letters. For passive strategies, material climate risks are factored into stewardship plans. For co-investments, these risks are factored into due diligence (including stock research at that point), the identification of relevant KPIs, and stewardship plans.

Our Actions to Date

2018

- Joined the Institutional Investors Group on Climate Change
- Joined Climate Action 100+
- Joined the Transition Pathway Initiative Steering Group
- Signed the Global Investor Statement on Climate Change

2019

- Launched CRMS
- Climate Change is included in our inaugural Stewardship Priorities
- Initiated the RIIS as a product specific guide to ESG integration
- Launched the LGPS Central All World Equity Climate Multi Factor Fund

2020

- Delivered first Climate Risk Monitoring Report to Partner Funds, incorporating analyses from Mercer, MSCI, EOS at Federated Hermes and LGPS Central
- Produced LGPS Central's first comprehensive climate report

2021

- Provided further assistance to Partner Funds through development of Climate Stewardship Plans and Climate Risk Strategies
- Became a founder of TPI Limited. Head of RI&S appointed as Board member
- Financial Reporting Council Stewardship Code signatory status

2022

- Communicated our net zero ambition
- Secured top spot in Responsible Asset Allocator Initiative Awards
- Launched Global Sustainable Equities Active Funds

2023

- Development of integrated climate dashboard
- Launch of Net Zero Strategy for Financed Emissions

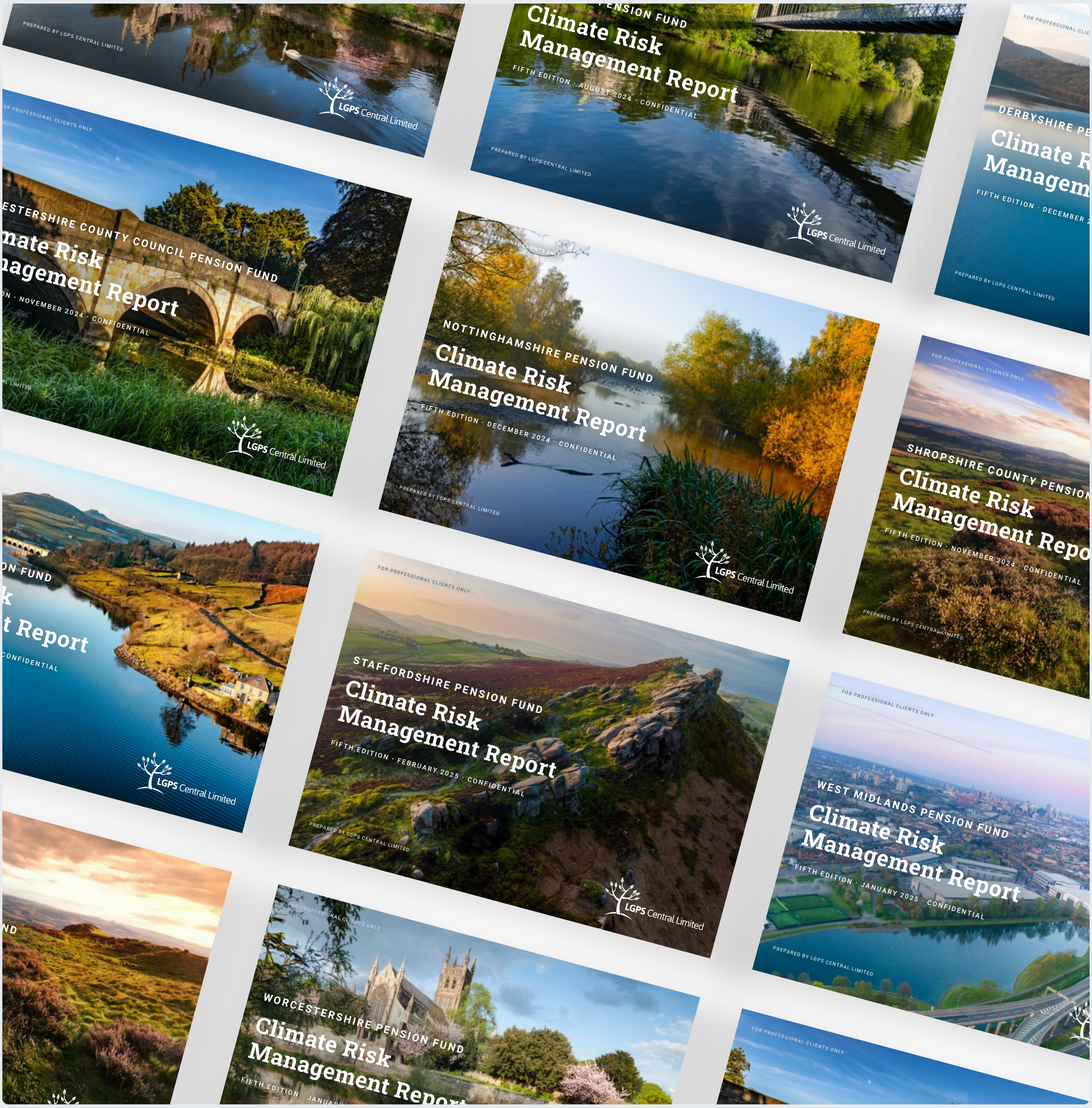
2024

- Climate Reports enhance focus on company-specific climate analysis
- Climate change remains key pillar following relaunch of LGPS Central's Key Stewardship Themes
- Expanded carbon metric analysis to include all private market assets
- Established baseline and published operational emissions targets

Next Steps

- Finalise Net Zero Strategy for Operational Emissions
- Further enhancement to the CRMS
- Refinement of engagement programmes

FIGURE 3: 2024 CLIMATE RISK MANAGEMENT REPORTS



LGPS Central Climate Risk Monitoring Service

As a component of our products and services strategy, we have developed the CRMS, a suite of services intended to aid our Partner Funds in formulating strategic responses to climate-related risks and opportunities. The centrepiece of the CRMS is our Climate Risk Management Report, crafted to assess our Partner Funds' approach to climate-related risks and opportunities.

The fourth iteration of this report (published in 2023/2024) analysed Partner Funds' risk management and disclosure practices against the proposed requirements set out in the recent DLUHC climate disclosure consultation. It was also the first report to utilise our climate dashboard.[13]

The most recent version of the report (published in 2024/2025) returned to the TCFD-style structure, and included deep dives into a climate analysis of the companies in each Partner Fund's Climate Stewardship Plan, in an effort to help our Partner Funds understand the context behind each company's decarbonisation journey.

[13] Refer to: Risk Management.


Peak District, Derbyshire

Climate Scenario Analysis

Our approach to climate scenario analysis is characterised by a commitment to sourcing solutions with a sound and rigorous methodology, yielding results that are insightful and ensuring wide data coverage.

In the past, we have employed various models to enhance our understanding of climate scenario analysis. This includes utilising the Paris Agreement Capital Transition Assessment (PACTA) model in our earlier climate reports, aimed at testing scenarios and gaining insights into the workings of climate scenario analysis. Additionally, in 2020 and 2022 we utilised Mercer's climate scenario analyses to assess Partner Funds' strategic asset allocations. We have also analysed our portfolios through MSCI's Climate Value At Risk (CVAR) screen, which incorporates a variety of forward- and backward-looking metrics to calculate value at risk due to a changing climate.

We do not currently conduct entity level climate scenario analysis because our Partner Funds invest in our products selectively, and we believe the model adopted by our Partner Funds, which focuses on asset allocation, is not suitable for our own use. Therefore, at present, we do not incorporate climate scenario analysis into our investment decision-making process. We continue to monitor the available tools as improvements in methodology may cause us to reconsider.

Risk Management

Climate in the Context of Our Risk Framework

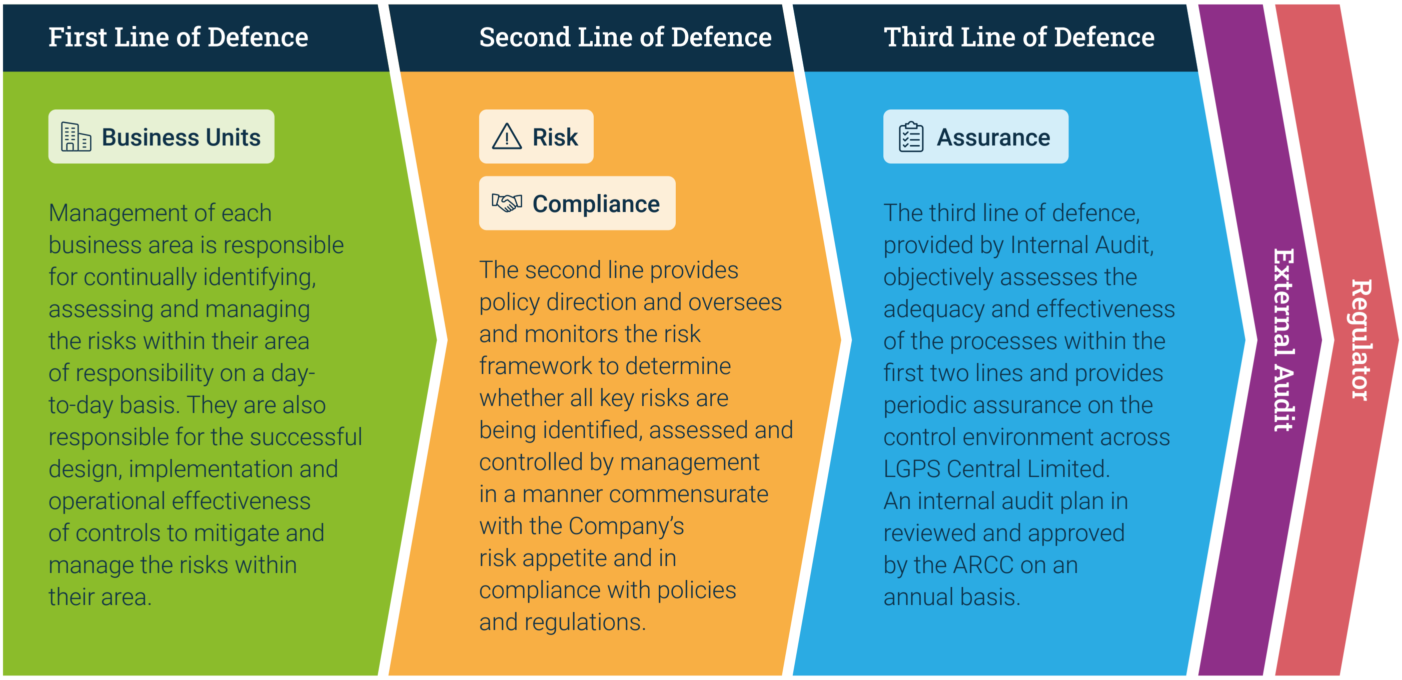
Our Risk Framework aligns with the Board's risk appetite and is embedded in each department, allowing specific control processes for mitigating individual risks. This fosters ownership and accountability across the business. The Framework includes a three lines of defence model, ensuring separation of potentially conflicted functions (e.g., Compliance and Investment Management) and independent oversight from Risk, Compliance, and Internal Audit.

Each business unit acts as the first line of defence for its own risks. ESG risks, considered a subset of investment risks, fall under our RI&S Policy & Framework. The Investment and RI&S teams identify, assess, and manage these risks, with oversight from IC. These teams ensure controls are effective and escalate issues to IC for timely resolution.

Our Risk and Compliance functions form the second line of defence. Supported by departments like Legal and Finance, they provide policy direction and supervise the risk framework to ensure alignment with the company's risk appetite and regulatory requirements. The Head of RI&S is the Risk Owner for ESG-related risks escalated to this level.

Internal Audit provides the third line of defence, assessing the adequacy and effectiveness of the first two lines and offering periodic assurance on the control environment. The internal audit plan is reviewed and approved annually by ARCC and reassessed mid-year. Under ARCC's direction, Internal Audit periodically assesses our RI&S activities to ensure the Framework's adequacy and effectiveness.

FIGURE 4: LGPS CENTRAL THREE LINES OF DEFENCE RISK MANAGEMENT MODEL



Internal Audit Review of Our Climate Reporting

In early 2023, ARCC approved the annual internal audit plan which included a review of our approach to disclosures around climate risks and opportunities. Our internal audit provider commenced an in-flight advisory review to assess the design of controls and processes related to the production of this report. The scope of the review included the governance framework, processes and controls on climate data, and alignment with regulatory requirements.

All the recommendations due for completion in 2024 have been delivered in time. These recommendations included: enhancing the documentation of the climate related risks included in the Investment Risk Register, improving procedures and management of our climate dashboard, and enhancing the procedures and documentation of our TCFD production process.

Leicestershire Countryside

Our Framework for Responsible Investment

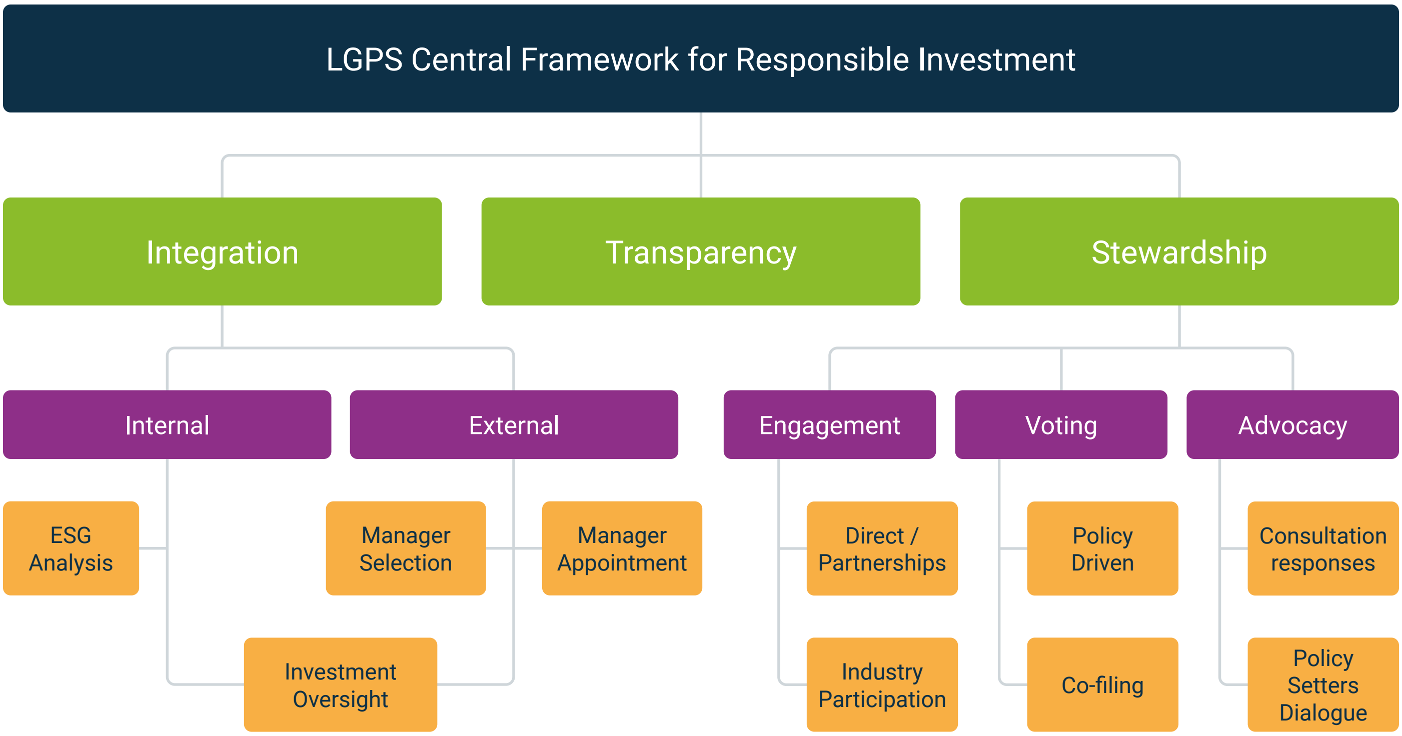
As illustrated in Figure 5, our approach to RI is primarily executed through ESG integration and stewardship within our investment activities. We are also dedicated to maintaining transparency across all facets of our RI practices. We are confident that this framework helps us identify, assess, manage, and report ESG risks and opportunities (including climate) across investments, fulfilling our fiduciary duties to our Partner Funds.

- ESG integration involves considering ESG issues in investment analysis and decisions to better manage risks and returns.
- Stewardship means using influence to maximise overall long-term value. At LGPS Central this involves, amongst others, engagement, voting and advocacy.
- Transparency involves regular disclosures to stakeholders, utilising industry-standard disclosure frameworks.

All three pillars, ESG integration, stewardship, and transparency, are interlinked and mutually reinforcing. ESG integration allows us to identify -specific issues, which are then systematically addressed through our stewardship activities. Insights gained from these engagements feed directly into our product monitoring efforts and foster meaningful dialogue with our delegated managers.

Furthermore, our regular interactions with Partner Funds provide us with valuable feedback on the ESG concerns raised by their stakeholders, guiding our focus areas. We also stay attuned to regulatory requirements and reporting standards, ensuring we identify and address potential issues proactively. These points are captured on a quarterly basis within a formal Regulatory Radar and communicated to Compliance and other relevant teams where appropriate. Additionally, our constant dialogue with ESG data and service providers offer further perspectives that enhance our ESG integration and stewardship activities. Together, these efforts create a coherent and comprehensive approach to responsible investment.

FIGURE 5: LGPS CENTRAL RI&S FRAMEWORK'S THREE PILLARS



Identifying and Assessing Climate-Related Risks and Opportunities

Climate-related risks and opportunities are predominantly identified at product level. Our investment products are designed to cater to the requirements of our Partner Funds and encompass both internally and externally managed investments. The steps for ESG integration differ accordingly. However, ESG integration is consistently applied throughout the entire investment lifecycle. This approach fits into how we manage the identified risks and opportunities discussed later and fosters a culture of ownership and accountability.

Furthermore, we organise multiple forums to serve as platforms for comprehensive dialogue, fostering collaboration and ensuring alignment across our organisation's strategic initiatives.

Our Climate Toolkit

We use a range of tools, both internally developed and externally sourced, to integrate climate change into our investment decisions. These tools assist with the selection and monitoring of managers, tracking engagements and identifying high-risk issuers. The underlying data for these tools are sourced from various channels, with MSCI[14] being the predominant source. Our approach to climate data management is explained in more detail in the Metrics and Targets section.

Our central tool is the climate dashboard. The dashboard provides us with a snapshot of metrics used to track climate-related risks and opportunities at various levels of granularity, ranging from aggregated entity level data to product specific details.

FIGURE 6: LGPS CENTRAL CLIMATE DASHBOARD

LGPS Central Authorised Contractual Scheme

Mixed	Multiple	Multiple	£18,163,558,745	Blended	Q4 2024
Fund Asset Class	Fund Classification	Fund Manager	NAV	Reference Index	Period

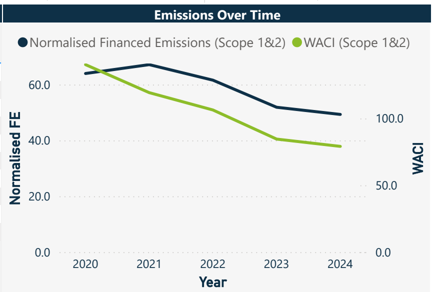
Carbon Footprint Metrics

	Emissions Category	Portfolio	Index	Previous Year	Portfolio	Index
Listed Equity / Corporate Bonds						
Financed Emissions (tCO_2e)	Scope 1+2	718,128	906,448	779,194	94.3%	98.4%
	Scope 3	9,795,114	6,367,338	8,107,905	84.8%	90.3%
Normalised Financed Emissions (tCO_2e/£m Invested)	Scope 1+2	43.5	62.6	50.5		
	Scope 3	658.9	440.0	571.6		
Weighted Average Carbon Intensity (tCO_2e/$m Sales)	Scope 1+2	75.0	124.7	81.9	94.8%	98.8%
Sovereign Debt						
Financed Emissions (tCO_2e)	Production	216,335	157,952	207,500	100.0%	100.0%
Weighted Average Carbon Intensity (tCO_2e/Capita)	Consumption	9.1	8.2	10.1	100.0%	100.0%

Top 10 Emissions Contributors

Issuer	Portfolio Weight	Index Weight	% Financed Emission		% WACI		Scope 1+2	Scope 3	Engagement	LCT	ITR	SBT
BERKSHIRE HATHAWAY INC.	1.4%	0.9%	2.8%	1	3.0%	4	60.4M		Yes	5.1	1.9	
RWE FINANCE US, LLC	0.1%	0.0%	2.6%	3	1.8%	8	63.1M	21.6M	No	3.8	10.0	Yes
NTPC LIMITED	0.0%	0.0%	2.2%	4	2.9%	5	352.5M	3.3M	Yes	0.0	10.0	
SHELL PLC	0.2%	0.3%	1.8%	6	0.7%	20	89.0M	1,147.0M	Yes	2.5	1.8	Yes
Chubu Electric Power Company, Incorporated	0.0%	0.0%	1.6%	8	0.7%	18	47.4M	8.2M	No	4.5	1.9	
CLECO CORPORATE HOLDINGS LLC	0.0%	0.0%	1.5%	10	2.4%	6	9.2M		No		7.8	
Taiwan Semiconductor Manufacturing Co., Ltd.	2.1%	1.0%	1.4%	12	4.6%	1	11.8M	7.6M	Yes	5.8	2.6	
THE SOUTHERN COMPANY	0.1%	0.1%	1.4%	13	3.4%	2	79.5M	77.0M	Yes	3.4	4.0	
ESKOM HOLDINGS SOC LIMITED	0.0%	0.0%	1.1%	17	1.2%	12	193.5M	5.4M	Yes	0.4	10.0	
NEXTERA ENERGY, INC.	0.2%	0.2%	1.0%	18	3.2%	3	42.3M	2.7M	Yes	5.4	4.3	

Emissions Over Time



High Impact Sectors / Climate Solutions Exposures (Portfolio vs Benchmark)

Fossil Fuel Reserves	Fossil Fuel Revenue	Thermal Coal Reserves	Coal Power Exposure	Cleantech Exposure	Cleantech Revenue
5.1% | 6.3%	1.9% | 2.9%	2.6% | 2.4%	2.4% | 3.2%	39.7% | 40.4%	6.2% | 7.7%

Portfolio Alignment & Engagement

Engagement	Data Quality	LCT	ITR	SBT	Alignment
54.7%	2.1	39.8%	31.9%	35.8%	25.9%

[14] MSCI ESG Research (UK) Limited.

Climate-Related Discussion Forums

Climate-related risks and opportunities are discussed in internal meetings (see the table below for examples), as well as engagements with external managers and various external platforms detailed later in the report. Most of these discussions will be attended by at least one member of the RI&S team.

TABLE 4: INTERNAL DISCUSSIONS OF CLIMATE RISKS AND OPPORTUNITIES

Forum/Meeting Name	Frequency	Participants	Description
Board meeting	Min six-times p.a.	Board, others (by invitation).	Regular updates from the Head of RI&S and RI&S team as part of Investments Departmental reports. The Climate Report is approved by the board.
IOC	Quarterly	Chair and Board representative, others (by invitation).	IOC provides oversight of fund and investment service performance, including RI&S. This includes the responsibility of the approval of the LGPS Central Voting Policy. IOC also review the Board-level Balance Scorecard.
ExCo meeting	Quarterly	ExCo, others (by invitation).	Regular update from the RI&S team as part of Investments Departmental reports.
IC meeting	Monthly	IC Members, others (by invitation).	IC meets 10 times a year, with the RI&S team presenting an update paper as a standing item. Additionally, the head of RI&S serves as a voting member of IC.
Risk Registers	Quarterly	Head of RI&S, Enterprise Risk Manager, Risk Analyst, others (by invitation).	Quarterly departmental risk reviews.
RI Champions Network meeting	Quarterly	RI Champions Network members.	Discussion on asset class specific issues.
Watchlist meeting	Quarterly	RI Champions Network members.	Quarterly discussion, integrated as a standing item into RI Champions Network meetings. Topics include controversy scanning, escalation, stewardship. Relevant news coverage, and updates shared between meetings.
Staff Huddle and Weekly Investment Meeting (WIM)	Weekly	All colleagues for the Huddle, and Investment colleagues for the WIM.	High level update on activities and news flow.
RI Working Group	Quarterly	Partner Funds Representatives.	Products and services, internal policy updates, stewardship update.
Investment Working Group	Monthly	Partner Funds Representatives.	RI&S team members will attend the Investment Working Group to deliver RI updates outside of the usual quarterly RI Working Groups.
Partner Fund Committee	Ad-hoc	Partner Funds Committee and Representatives.	Presentation of Climate Risk Management Report, climate training, stewardship update.
RI Summit	Annual	All colleagues, Partner Funds Committee and Representatives.	Flagship RI conference with external speakers invited to discuss ESG topics.

Managing Climate-Related Risks and Opportunities

We manage each identified risk and opportunity according to its nature, duration, magnitude, and time horizon. In most cases, business units will take responsibility for climate-related risks affecting them, supported by the RI&S team.

Engagement with Issuers

Across our investments, we pursue a strategy of integration and stewardship to manage such risks and opportunities. We believe that an exclusionary approach can detract from the full benefit of diversification and the real-world impact that responsible investing can have on society and the economy. Therefore, a strategy of integration alongside stewardship is more compatible with the fiduciary duties owed to both internal and external stakeholders.

Our approach to stewardship is focused on outcomes, and as such we will seek to escalate an engagement where escalation is deemed to improve the chances of engagement success. A decision to escalate, and the form or sequence of subsequent escalation is particular to the engagement in question. The most effective means of escalation varies from one engagement to another (see further detail below). It is also important to consider that escalation is rarely a linear process, hence the use of one escalation tactic does not preclude the use of others.

We engage directly with issuers, participate in collaborative engagements with other investors and have appointed a stewardship provider (EOS at Federated Hermes) to engage on our behalf. Delegated managers are also expected to engage with issuers – we monitor their engagement activities on a regular basis.

The prioritisation of engagement themes or companies depends on economic significance, resourcing significance to stakeholders, ESG risk exposure and controversy. We evaluate the appropriateness of the engagement themes on a triennial basis and, where necessary, shall propose amendments to our partner funds.

Shareholder and Bondholder Voting

We aim to vote all eligible ballots in accordance with our agreed Voting Principles. This includes voting shares of portfolios managed externally, where those funds are held in segregated accounts.

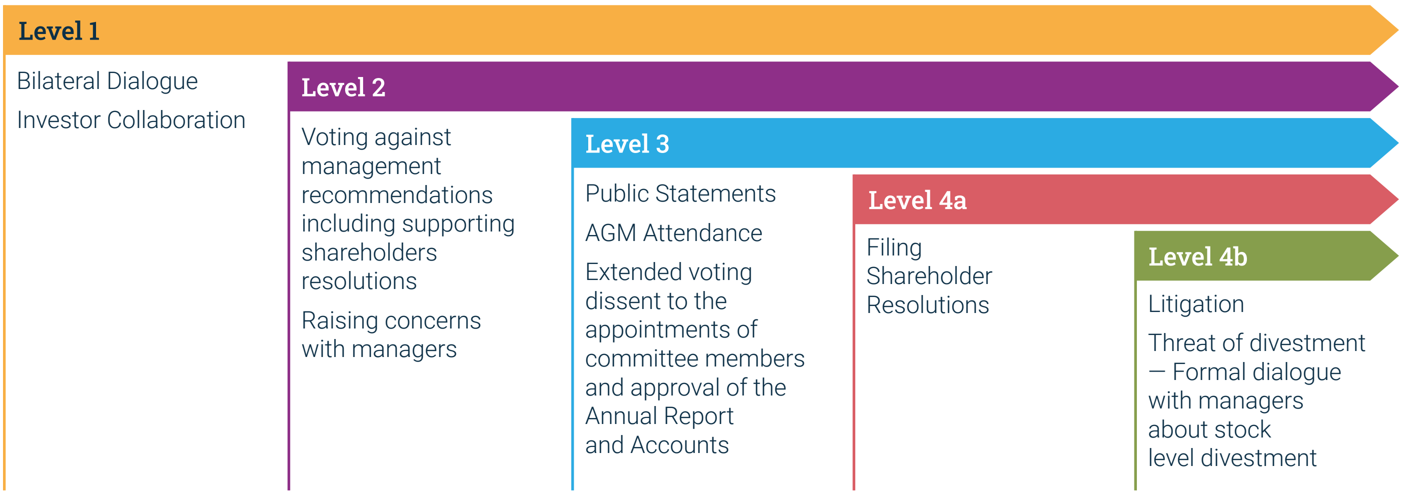
Our Voting Principles are subject to annual review by the IOC. The Voting Principles are owned by the Head of RI&S and are implemented by the RI&S team, with ultimate responsibility resting with ExCo.

Advocacy

Advocacy is the practice of engaging with policymakers, standard setters, and market participants to address systemic ESG risks and opportunities. Advocacy is an important feature of our stewardship approach and allows us to represent the interests of our Partner Funds to a broad audience. Furthermore, through joint action, we can support investment outcomes over the long term. We will seek participation where this serves the long-term interests of the Company's Partner Funds. As climate remains a significant systemic risk, which can impact institutional portfolios and investment opportunities, we are regularly responding and participating to advocacy opportunities, e.g., LGPS Central has Board representation at TPI and regularly liaises with IGGC representatives.

For further information on our stewardship approach, please refer to our 2024 Annual Stewardship Report.[15]

FIGURE 7: LGPS CENTRAL STEWARDSHIP ESCALATION PROCESS



[15] LGPS Central, 2023 Annual Stewardship Report. Accessible on our website.

How We Prioritise Engagements

Across our investments, we compile and maintain two stewardship lists: an Engagement Priority List and Voting Watch List. Climate remains a stewardship priority for LGPS Central. We prioritise engagement with companies which are not deemed to be aligned with LGPS Central's net zero strategy. We steward companies on credible net zero strategies, climate audit disclosure, Just Transition, and climate finance lending. These lists are reviewed annually and are based on our Stewardship Priorities.[16] The two lists are approved by IC, ExCo and the Board.

We also compile similar lists for each Partner Fund, based on the analysis conducted through the CRMS.

Engagement Priority List

The team prioritise issuers for engagement when the following conditions apply:

- Material exposure in the LGPS Central investment portfolio, and
- Companies identified as having significant exposure to one or more stewardship priority issues and assessed as having inadequate company management responses to address the risks associated with the stewardship issue under scrutiny.

Voting Watch List

Our annual Voting Watchlist consists of around 50 issuers. We aim to attend AGMs when this is considered to be effective, for example when we have filed a shareholder resolution. The selection criteria for the Voting Watch List are:

- Top Ten holdings (per market value) from across all Authorised Contractual Scheme (ACS) equity funds
- Top Ten holdings per Active Risk contribution in the Global Equity Active Multi Manager Fund[17]
- Companies identified by LGPS Central Stewardship Priorities
- Companies highlighted in the Climate Stewardship Plan for Partner Funds if held in the ACS funds[18]

[16] LGPS Central 2024-2027 Stewardship Priorities are climate, natural capital, human rights and sensitive/topical activities. The stewardship priorities and stewardship methodology were approved by the Partner Funds, IC, Exco, and the Board.

[17] Fund was chosen due to its Net Asset Value. We are mindful that other funds may have companies with higher risk exposure. We will consider a more comprehensive risk-based approach next year.

[18] The list of companies identified in the Climate Stewardship Plan for each Partner Fund are communicated to the Partner Funds via the CRMS.

Metrics and Targets

The Roaches, Staffordshire

What We Measure

We started measuring and tracking climate metrics in 2019 as part of the launch of our CRMS. Over time, the scope of our analysis and the metrics that we employ has expanded and evolved to keep abreast of the latest methodologies and available data. As of 31 December 2024, we measure the carbon footprints of our equities, corporate bonds, sovereign debt, and private market investments.

We utilise a selection of headline metrics and other metrics to measure our climate risks and opportunities. These metrics are chosen based on several criteria:

1) Usefulness: The selected metrics are tailored to fit into our climate strategy and framework for managing climate risks and opportunities, including those identified in Table 3.
2) Regulatory requirements: The metrics align with the DLUHC's consultation[19] and also align with the FCA's requirements on climate reporting, as set out in the December 2021 policy statement.[20] These requirements are largely in line with the TCFD's recommendations.
3) Data and methodology availability: We prioritise sourcing appropriate data from reputable sources and adhere to the methodology prescribed by the Partnership for Carbon Accounting Financials (PCAF).[21]

Table 5 illustrates how we can utilise climate metrics to provide an indication of the risks and opportunities in our portfolios.

However, we don't believe any single metric is sufficiently insightful (when considered in isolation) to highlight a fund's climate risks and opportunities. Because of this, we have constructed a comprehensive suite of climate metrics, including emissions, engagement, and alignment metrics. However, this is dynamic and will be updated as data availability and analytical methodologies and techniques evolve.

TABLE 5: CLIMATE METRICS AND ASSOCIATED RISKS AND OPPORTUNITIES

Climate Metric	Risk or opportunity indication
Scope 1 and 2 emissions	These measures indicate exposure to carbon-intensive companies, which would be negatively impacted by the transition risks outlined in Table 3. These risks are direct, and typically attributable to government policy.
Scope 3 emissions	Companies with high scope 3 emissions would face similar challenges to those with high scope 1 and 2 emissions. These risks are indirect and are typically attributable across the value chain.
Exposure to fossil fuels	Provides an indication of a portfolio's exposure to stranded asset risks.
Exposure to clean technology	Conversely to the above, exposure to clean technology indicates how well a company is positioned to benefit from the climate transition.
Low Carbon Transition score	Offers insight into how effectively a company is managing its emissions and climate strategy, as well as its handling of current climate risks.
Implied Temperature Rise and Science-Based Target	These measures provide a forward-looking insight into a company's climate strategy and likely emissions trajectory.
Net zero alignment	Net zero alignment is a proprietary metric developed by LGPS Central. It incorporates the Low Carbon Transition score, Implied Temperature Rise, and Science-Based Target to assess both a company's past climate performance and its future trajectory.

[19] DLUHC, Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks. Consultation can be accessed on DLUHC's website.
[20] FCA, Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers. Policy Statement can be accessed on FCA's website.
[21] PCAF, The Global GHG Accounting and Reporting Standard for the Financial Industry. The report can be accessed on PCAF's website.

Further detail relating to the climate metrics included in this report can be found in our 2024 Climate Report Glossary.[22]

Our headline metrics include:

Absolute emissions metric – financed emissions

Emissions intensity metric – normalised financed emissions and weighted average carbon intensity (WACI)

Net zero alignment metric

The analysis in this report is based on a dataset provided by MSCI ESG Research LLC (MSCI). We utilised data that was downloaded from MSCI on 20 January 2025. We gain comfort from the quality of MSCI's data through our own assessment of MSCI's methodology and our data validation processes. Data is sense-checked internally, and any anomalies are investigated in the underlying data to ensure inaccuracies are promptly identified and amended.

These metrics illustrate the funds aggregated climate risks, which we supplement with in-depth, holistic analysis of individual portfolio companies, used to drive our engagement activity.

Headline Metrics

The headline metrics listed in Table 6 detail the absolute emissions and carbon intensity metrics we utilise to analyse the climate risks and opportunities associated with our funds. WACI has been a staple of our carbon footprint metrics, and we introduced financed emissions and normalised financed emissions during our 2022 analysis. The introduction of the former provides an insight into the absolute emissions we are responsible for through our investments. The latter normalises these emissions by £m invested.

TABLE 6: OUR HEADLINE METRICS

Metrics	Financed Emissions	Normalised Financed Emissions	Weighted Average Carbon Intensity (WACI)
Absolute / Intensity	Absolute	Intensity	Intensity
Definition	Financed emissions represents the absolute tonnes of CO_2 equivalent for which an investor is responsible.	This metric measures the financed emissions for every £1 million invested.	WACI measures a fund's exposure to carbon-intensive companies.
Question answered	What is my fund's total carbon footprint?	What is my fund's normalised carbon footprint per million GBP invested?	What is my fund's exposure to carbon-intensive companies?
Unit	tCO_2e	tCO_2e / £m invested	tCO_2e / $m revenue
Comparability	No; does not take size into account	Yes; adjusts for fund size	Yes

Net Zero Alignment Metric

LGPS Central's net zero alignment metric is a proprietary metric constructed using several MSCI data points and it provides an insight into how our portfolio companies are currently managing their climate risks, as well as incorporating forward looking metrics. This metric was introduced in our Net Zero Strategy for Financed Emissions report which was launched in 2023.

We recognise that there is currently no agreed standard or measure for a net zero-aligned company. However, we strive to follow industry best practices and use the latest methodologies and data available to assess the alignment of our portfolio companies with net zero by 2050. We are continuously exploring the most effective metrics to evaluate the climate profile of our portfolio and its companies.

A company will be considered aligned/aligning to net zero by LGPS Central if:

The Company score above **Median** in **Low Carbon Transition score**

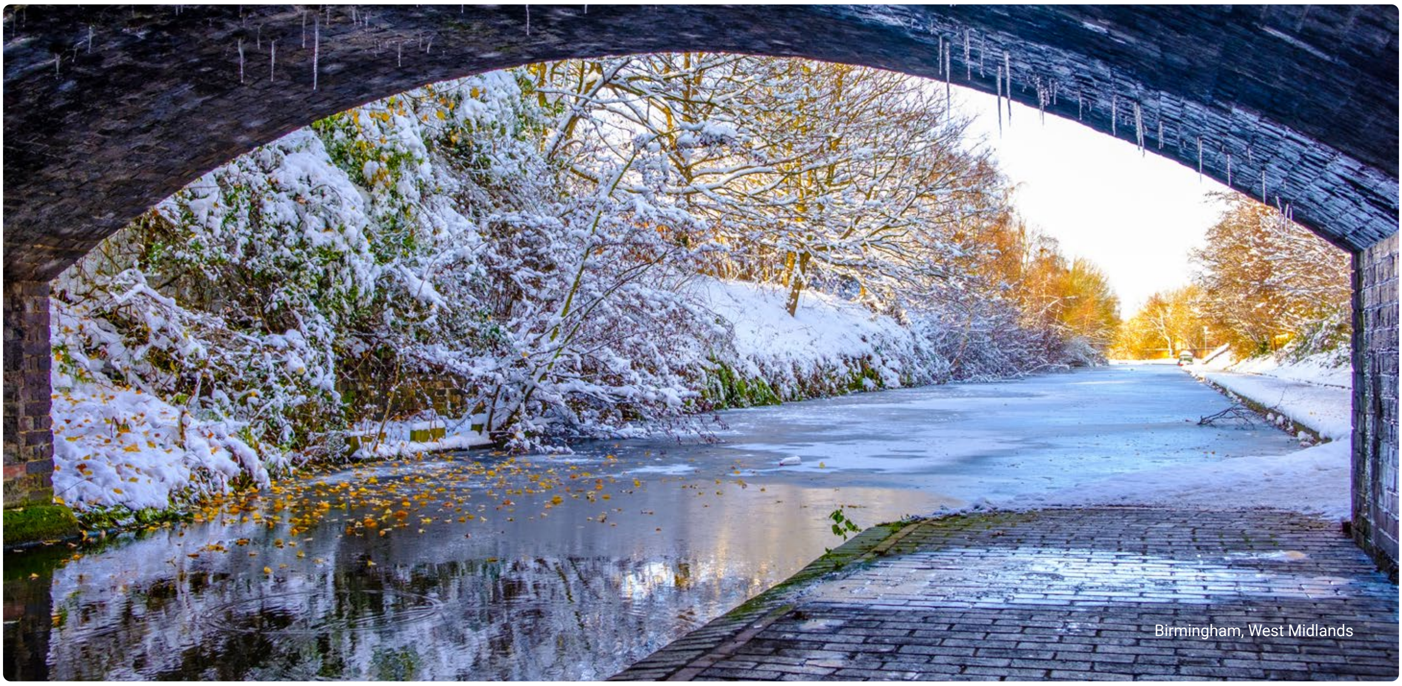
+ and it meets **one** of the following criteria: +

The company has a **science-based target**

or

The company has an **implied temperature rise** rating of 2.0°C or lower

[22] Climate-Report-Glossary.pdf



Scope 3 Emissions

In addition to reporting scope 1 and 2 emissions, we have also included scope 3 financed emissions since our 2023 reports. Scope 3 represents the emissions released through the value chain of the company, both upstream and downstream, which are not otherwise captured in scope 1 and 2. Scope 3 emissions are important to account for, as without this metric many companies' emissions would be significantly understated. The addition of scope 3 data gives a better indication of a company's climate risk exposure.

Due to the nature of this measurement, for many industries and assets the associated scope 3 emissions of the company will often be significantly greater than those of the scope 1 and 2. When aggregated at portfolio level, scope 3 emissions will also be subject to double counting. We do not combine scope 3 emissions with scopes 1 and 2 to mitigate this issue.

Definitions on scopes 1 and 2 emissions as well as all the climate metrics utilised in this report can be found in the 2024 Climate Report Glossary.

Private Market Carbon Footprinting

In our 2023 Report, we calculated the carbon footprint of our private equity portfolios (including co-investments) using estimated data. During 2024, we expanded our approach to include all private market portfolios[23] and incorporated the collection of reported data.

The private market data presented in Table 7 therefore represents a combination of reported and estimated figures. Reported data is provided by managers and sourced through various methods, including direct reporting from underlying portfolio companies or estimations by the managers themselves, who are better positioned to provide estimations of the underlying portfolio companies. As reported data provides greater accuracy it is prioritised over estimated data. However, where reported data is unavailable, estimations are used.

Data is estimated using MSCI's Total Portfolio Footprinting,[24] which adheres to PCAF guidelines.

It is important to note that significant discrepancies often exist between estimated and reported data. The estimation process considers factors such as company size, revenue, and sector, but it cannot account for the specific nuances of portfolio company operations that reported data can capture. Nonetheless, we believe estimation provides valuable insights into the carbon footprint and carbon intensity of portfolio companies. We anticipate an increase in the proportion of reported data as we continue to work with managers to enhance disclosures.

This process began with contacting our underlying managers to request the necessary inputs and any reported emissions data. The data then had to be aggregated into the required format. This step posed particular challenges due to the variation in data and formats provided by managers. Once formatted, emissions were estimated where needed, and data was aggregated at the asset class level. Through this process, we have been able to produce scope 1,2, and 3 financed emissions and normalised financed emissions.

[23] This includes LGPS Central's private equity, private credit, infrastructure and property as of Q4 2024 where available. When unavailable later data was utilised.
[24] Total Portfolio Footprinting - MSCI

LGPS Central Climate Metrics

TABLE 7: LGPS CENTRAL'S CLIMATE METRICS FOR YEAR ENDED 31 DECEMBER 2024

Absolute Emissions				
Listed Equity and Corporate Fixed Income	Financed Emissions	Scope 1 + 2	718,128	tCO_2e
		Scope 3	9,795,114	tCO_2e
Sovereign Debt	Financed Emissions	Production	216,335	tCO_2e
		Consumption	206,661	tCO_2e
Private Equity	Financed Emissions	Scope 1 + 2	10,565	tCO_2e
		Scope 3	39,571	tCO_2e
Private Credit	Financed Emissions	Scope 1 + 2	129,216	tCO_2e
		Scope 3	681,140	tCO_2e
Infrastructure	Financed Emissions	Scope 1 + 2	176,436	tCO_2e
		Scope 3	184,170	tCO_2e
Property	Financed Emissions	Scope 1 + 2	706	tCO_2e
Intensity				
Listed Equity and Corporate Fixed Income	Normalised Financed Emissions	Scope 1 + 2	43.5	tCO_2e/£M invested
		Scope 3	658.9	tCO_2e/£M invested
	Weighted Average Carbon Intensity	Scope 1 + 2	75.0	tCO_2e/$M Sales
Sovereign Debt	Normalised Financed Emissions	Production	273.6	tCO_2e/PPP-Adjusted GDP
		Consumption	9.1	tCO_2e/Capita
Private Equity	Normalised Financed Emissions	Scope 1 + 2	42.0	tCO_2e/£M invested
		Scope 3	166.9	tCO_2e/£M invested
Private Credit	Normalised Financed Emissions	Scope 1 + 2	111.4	tCO_2e/£M invested
		Scope 3	438.6	tCO_2e/£M invested
Infrastructure	Normalised Financed Emissions	Scope 1 + 2	270.4	tCO_2e/£M invested
		Scope 3	326.2	tCO_2e/£M invested
Property	Normalised Financed Emissions	Scope 1 + 2	12.2	tCO_2e/£M invested
Portfolio Alignment and Engagement				
Listed Equity and Corporate Fixed Income	Engagement	54.7%	Proportion of financed emissions covered by an engagement program	
	Low Carbon Transition Score	39.8%	Proportion of financed emissions above medium score	
	Implied Temperature Rise	31.9%	Proportion of financed emissions 2°C or below	
	Science Based Target	35.8%	Proportion of financed emissions covered by a science-based target	
	Net zero alignment	25.9%	Proportion of financed emissions aligned/aligning to net zero by 2050	
	Engagement Threshold Coverage	67.4%	Proportion of financed emissions aligned/aligning to net zero by 2050 or covered by an engagement program	

Since 2023, the Scope 1 and 2 financed emissions, normalised financed emissions, and weighted average carbon intensity associated with our listed equity and corporate fixed income holdings have decreased by 7.8%, 13.9% and 8.5% respectively.

Chaddesley Corbett, Worcestershire

Our Approach to Climate Data

Climate data is an evolving field, and methodologies are continuously updated by governments, data providers, and companies. The data accessible through our data provider (MSCI) undergoes frequent revisions as estimated data gets replaced by reported data, estimations are refined for greater precision, and as data coverage expands. We welcome these revisions, as they provide more accurate estimates of our carbon emissions and believe the inclusion of restated data represents industry best practice.

We recalculate our emissions annually and may revise previously reported GHG data to incorporate the most current information. When possible, we align our holding period with the period in which emissions from the underlying issuer occurred. Consequently, there may be variations between data reported in previous documents and the figures presented in this report due to these restatements. Our metrics employ methodologies aligned with those used by the PCAF and MSCI.

For illustration, please see below the restatements made for our investments.

TABLE 8: LGPS CENTRAL'S CLIMATE METRICS RESTATEMENTS

Data as of	Asset Class	Scope	Previously Reported Value	Restated Value	Change from Restatement
31-Dec-23	Listed Equity and Corporate Bonds Financed Emissions	Scope 1 + 2	771,381	779,194	-1.0%
		Scope 3	7,964,396	8,107,905	-1.8%

Progress Towards Our Net Zero Strategy

While we believe that restating emissions ensures the most accurate reporting and reflects industry best practice, we recognise that it can also cause confusion due to inconsistent values appearing across different reports. This issue is typically mitigated by the approximately one-year gap between reporting cycles. However, later this year, we will publish the second iteration of our Net Zero Strategy, including an update on progress against our climate targets.

To avoid inconsistencies in reporting progress against our climate targets as of 2024, and to ensure only the most accurate measurement is presented, we have decided to include updates on our climate targets exclusively within the Net Zero Strategy update.

Next Steps

Lyme Hall, Cheshire

Governance

- Continue to update our climate-related training strategy across the Company, including at Board level. This will take in place 2025 and will include providing additional formal training on a regular basis or increasing the scope of training already provided.
- Continue to develop the breadth of our climate-related training for our Partner Funds.

Risk Management

- Integrate the findings of the 2024 audit on our climate monitoring and reporting.
- Continue to work with portfolio companies to understand and encourage their own management of climate risk, utilising our escalation strategy as appropriate.
- Continue to set appropriate targets and expectations, and communicate them clearly.

Strategy

- Continue to monitor the available tools and improvements in methodology for climate scenario analysis.
- Work towards the achievement of our Net Zero Strategy and associated reporting, as published in 2023.
- Update our CRMS in line with best practice, to ensure that climate risks and opportunities are identified and managed as effectively as possible.

Metrics and Targets

- Continue to update our climate analysis in line with best practice.
- Continue to monitor and report on our climate metrics.
- Publish an update on our 2023 Net Zero Strategy.

Summary of TCFD Recommendations

	TCFD Recommended Disclosure	Page	Summary
GOVERNANCE	Describe the board's oversight of climate-related risks and opportunities.	7	Through their Terms of Reference, the Board or IOC has ultimate oversight over all the Company's policies and activities, including our Net Zero Strategy. The Board also receives regular updates on climate related issues.
GOVERNANCE	Describe management's role in assessing and managing climate-related risks and opportunities.	9	Responsibility for implementing our RI&S Framework, which details the Company's approach to assessing and managing climate risk, lies with ExCo which delegates to IC.
STRATEGY	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	12	As a diversified asset manager, LGPS Central has identified a wide range of climate-related risks and opportunities across various time scales, including policy changes (such as the adoption of carbon taxes); technological changes (such as the emergence of electric vehicles); and extreme weather events (such as floods, heatwaves, etc).
STRATEGY	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	13	Climate risks and opportunities have led LGPS Central to expand the range of products and services it offers to Partner Funds. Beyond the development of the CRMS, we have launched a Climate Multi Factor Fund, a Low Carbon Multi Factor Fund, and the Global Sustainable Equity fund. In response to the materiality of climate risks and opportunities, all investment products must also adhere to asset-class specific RIIS guidelines, which includes climate considerations.
STRATEGY	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	15	Climate scenario analyses were integrated into the climate reporting that we carried out for our Partner Funds in 2020 and 2022. While we have experimented with various climate scenario analysis tools, we have not incorporated the tool into our investment decision making. In our view, ESG integration remains the most effective way to identify, analyse, and manage the risks associated with climate change.
RISK MANAGEMENT	Describe the organisation's process for identifying and assessing climate-related risks.	18	Climate-related risks and opportunities are predominantly identified at product level, using the guidelines documented in our Responsible Investment Integrated Status. We utilise a range of tools to identify climate risks and integrate climate change considerations into our investment decisions. These tools assist with the selection and monitoring of manager, tracking engagements and identifying high-risk issuers. Our primary tool is the climate dashboard.
RISK MANAGEMENT	Describe the organisation's process for managing climate-related risks.	20	LGPS Central's RI&S Framework sets out how we approach ESG risks such as climate. These risks are primarily managed through the selection and monitoring of our external managers, who are required to integrate ESG considerations, including climate, into their investment decisions. Stewardship of assets is also central to the management of climate risk within our investments, and our escalation approach dictates how this approach changes over time.
RISK MANAGEMENT	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	16	Climate risks are integrated into the organisation's Risk Framework. This allows climate risk considerations to be embedded within each department of the Company, in turn allowing unique control processes to mitigate the relevant risks.
METRICS AND TARGETS	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	22	We utilise a range of metrics, including absolute emissions; emissions intensity; and net zero alignment to comply with FCA and DLUHC requirements.
METRICS AND TARGETS	Disclose scope 1, scope 2, and if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	25	LGPS Central's headline GHG emission metrics for the Listed Equity and Corporate Bond portfolios are as follows: • Financed emissions: 718,128 tCO_2e. • Normalised financed emissions: 43.5 tCO_2e /£m invested. • Weighted average carbon intensity: 75.0 tCO_2e /$m sales. Additional metrics, including the scope 3 emissions of our investments are also explored.
METRICS AND TARGETS	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	11	We report on our progress against our Net Zero Strategy for Financed Emissions that was published in 2023. To support our commitment to reach net zero by 2050 or sooner, we use a two-track approach with emissions, engagement and footprinting targets that cover different asset classes.

Important Information

Sources

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All information is prepared as of 6 February 2025.

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