FOR PROFESSIONAL CLIENTS ONLY

LEICESTERSHIRE COUNTY COUNCIL PENSION FUND

Climate Risk Management Report

FIFTH EDITION • NOVEMBER 2024 • PUBLIC

PREPARED BY LGPS CENTRAL LIMITED

LGPS Central Limited

Front Cover: River Eye, Melton Mowbray, Leicestershire
Images (Clockwise): Grand Union Canal, Leicestershire
Old John Folly, Bradgate Park, Leicestershire
Normanton Church, Rutland Water, Rutland

Contents

Key Highlights

Leicestershire County Council Pension Fund (the Fund) manages £6.3 billion in assets (as of 30 March 2024) on behalf of over 100,000 scheme members who work for over 200 employers.

Management of climate risk and their opportunities is just one way of managing the Fund so it can continue to pay pension benefits to retirees and their dependants.

2023 marked a significant milestone with the Fund committing to achieving net zero by 2050, with an ambition for sooner.

The Fund has now met both interim 2030 targets for its in-scope assets.

EQUITY FINANCED EMISSIONS:

112,811 tCO_2e

↓ 40.4% vs 2019

↓ 39.2% vs reference index

EQUITY WEIGHTED AVERAGE CARBON INTENSITY:

76.7 tCO_2e/$m sales

↓ 52.8% vs 2019

↓ 45.5% vs reference index

Getting to net zero is not just about decarbonisation of the portfolio, but supporting real-world change in how companies are managing the transition.

64.2%

of equity net asset value in material sectors are considered to be aligned/aligning to the Paris Agreement[1]

75.7%

of equity financed emissions in are considered to be aligned/aligning to the Paris Agreement,[1] or under an engagement program

EQUITY EXPOSURE TO CLEAN TECH:

6.5%

(apportioned by revenue)

↑ 1.6 percentage points vs 2019

EQUITY EXPOSURE TO FOSSIL FUEL:

1.9%

(apportioned by revenue)

↓ 0.1 percentage points vs 2019

[1] According to LGPS Central's Paris Alignment Metric. Please see page 25.

Introduction

This report constitutes the fifth edition of Leicestershire County Council Pension Fund's (the Fund) analysis of its approach to climate-related risks and opportunities. The report also contains a detailed analysis of the Fund's climate metrics. The previous version of this report was provided by LGPS Central Limited (LGPS Central) in 2023 and focussed on a gap analysis comparing the Fund's approach to climate risk management with the proposed requirements put forward in the 2022 consultation[2] by the Department for Levelling Up, Housing, and Communities (DLUHC).[3] As the recommendations raised in that report are unlikely to significantly change year-on-year, this report returns to the structure of the first three Climate Reports.

This approach means that the report is once again structured around the four pillars of the Task Force on Climate-Related Financial Disclosures (TCFD): Governance, Strategy, Risk Management, and Metrics & Targets. Each of these pillars is represented by one section, which describes the Fund's current approach and finishes with recommendations, where appropriate.

Further details that extend beyond the scope of the DLUHC requirements will be added to the Risk Management and Metrics & Targets sections. In the former, a detailed analysis and engagement summary will be provided for each of the companies listed in the Fund's Climate Stewardship Plan. In the latter, detailed analyses of each of the Fund's individual portfolios will be presented. For the first time, this will include an analysis of the climate metrics associated with the Fund's sovereign debt holdings and an analysis of the Fund's private markets investments which are managed by LGPS Central.

This report therefore aims to continue to provide an in-depth review of the Fund's approach to identifying, assessing, and managing climate risks and opportunities across its investments.


Prince Rupert's Gateway, Leicester

[2] DLUHC, Local Government Pension Scheme (England and Wales): Governance and reporting of climate change risks. Consultation can be accessed on DLUHC's website.

[3] In July 2024, the new Labour government changed the name of this department to the Ministry of Housing, Communities and Local Government (MHCLG).

Governance

The Fund's governance of climate risk has developed significantly over recent years, as demonstrated by the graphic below.

FIGURE 1: THE FUND'S CLIMATE PROGRESS

2019

Local Authority Pension Fund Forum

The Fund became members of the Local Authority Pension Fund Forum supporting the Fund's approach to shareholder engagement.

2020

Responsible Investment Plan

The Fund's first year of producing an annual responsible investment plan and beginning of quarterly responsible investment reports to Committee.

First Climate Risk Report

The Fund received its first Climate Risk Report in October 2020.

All World Equity Climate Multi Factor Fund

The Fund invested £800m in a portfolio that tilts away from companies that are carbon-intensive or own fossil fuel reserves, and tilts towards companies that generate green revenues.


Farmland, Leicestershire

Governance *(continued)*

FIGURE 1: THE FUND'S CLIMATE PROGRESS (CONTINUED)

2021

First TCFD aligned report

The Fund published its first TCFD aligned report which is also discussed within the Fund's Annual report.

2022

Inclusion of ESG within the Investment Strategy

ESG had been well integrated into the Investment Strategy including the acknowledgment of ESG being an asset risk.

Government consultation on TCFD recommendations

The Fund responded to the consultation in support of the proposals, setting out where guidance would be welcomed.

Engagement and Consultation with Scheme Members, Employers

Engagement on proposed net zero targets and the draft Net Zero Climate Strategy with over 1700 responses.

2023

Net Zero Climate Strategy (NZCS)

The NZCS outlines the Fund's view on climate change risks and opportunities, climate targets, how the Fund will integrate climate change into investment decisions and stewardship.

Over £1billion invested in climate related investments

Including a Legal and General Investment Management (LGIM) Low Carbon Transition Fund, the Climate Multi Factor Fund, a Net Zero Infrastructure fund and sustainable forestry.

2024

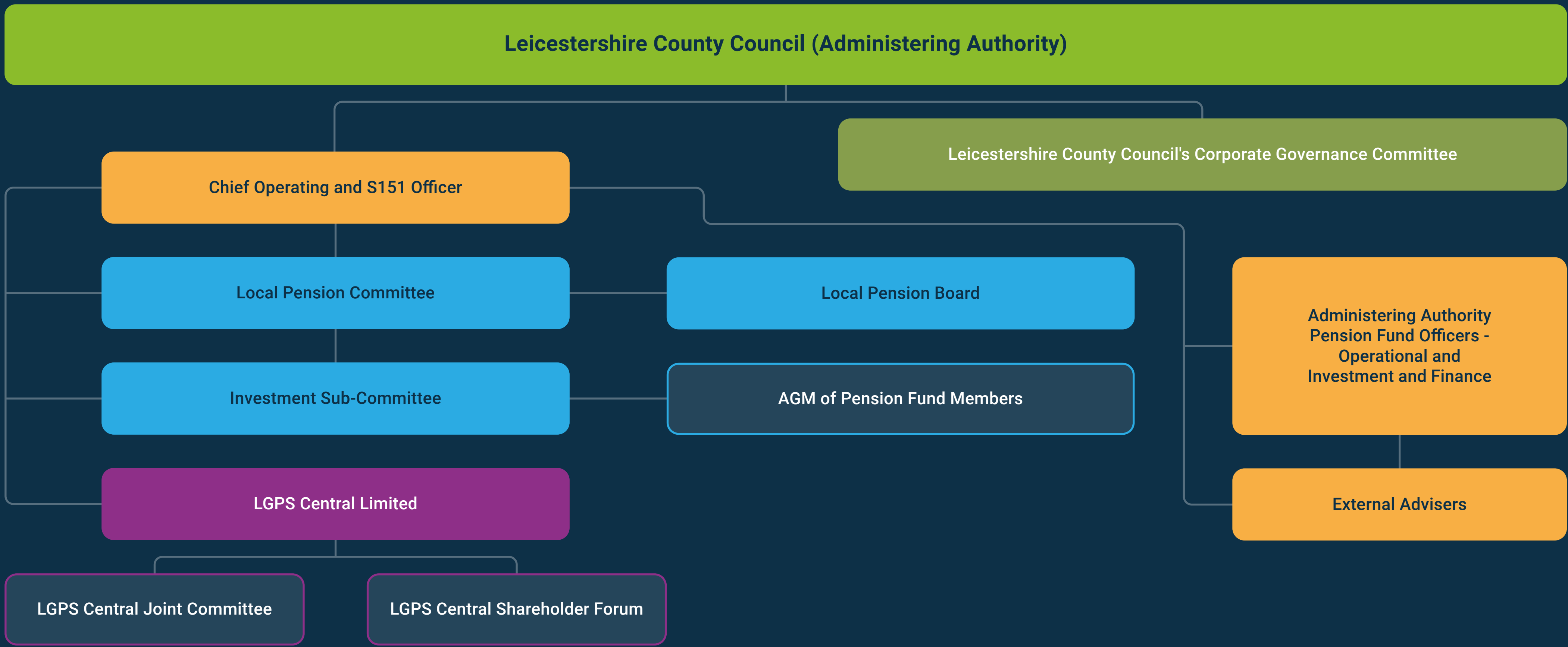
2030 Interim Targets achieved

Early achievement of the Fund's interim targets mean the Fund is well on its way in achieving net zero by 2050.

Governance *(continued)*

Governance at the Fund follows the structures shown in the charts below.

FIGURE 2: THE FUND'S GOVERNANCE STRUCTURE



Governance *(continued)*

Board Oversight

Roles and responsibilities at the Fund are set out clearly in the Fund's Governance Compliance Statement within the Fund's Annual Report.[4]

The Fund is administered by Leicestershire County Council which has delegated its functions to the Local Pension Committee (the Committee). The Committee holds overall responsibility for all issues relevant to the Fund, including the oversight and management of risks and opportunities related to climate change.

The Committee is responsible for reviewing and approving the Fund's (ISS, Funding Strategy Statement the Responsible Investment Plan, Net Zero Climate Strategy (NZCS), Fund Risk Register and other relevant policy documents. The Committee also receives quarterly reports on responsible investment issues, as well as a presentation from an existing investment manager on performance and responsible investment matters (including climate change) quarterly. These strategies and reports support ongoing oversight and training on climate related risks and opportunities. Highlights from relevant Committee activities are set out below, more detail can be found here.

2023/24	Committee Activities Snapshot
16 June 2023	• The Fund Investment Manager Stafford Capital presented on sustainable forestry. A number of questions were fielded on the use of land, carbon credits, shipping emissions, natural biodiversity and risks to forestry which Committee were reassured over. • LGPS Central provided training on Climate Risk Reporting and ESG tools.
8 September 2023	• The Fund's Property Investment Manager DTZ discussed their approach to ESG. Questions were raised on additional costs to reach net zero in the property market in line with DTZ's targets. The Committee were assured by their approach to asset improvement plans and pricing.

[4] Annual Report 2023-24.pdf (leics.gov.uk)

Rutland Water, Rutland

Governance *(continued)*

2023/24	Committee Activities Snapshot
1 December 2023	• Committee received and continued to engage with external representations received on climate matters. Discussion on the merits of a fossil free fund was held. It was agreed it would be considered as part of the January 2024 Strategic Asset Allocation Review. • The Climate Risk Management Report included a high-level view of LGPS Central's Net Zero Strategy, and progress against the Fund's net zero targets. Committee challenged officers to present more information on stewardship activities in future reporting.
11 December 2023	• The Annual General Meeting was held open to all scheme members and employers which included a presentation on the progress of the Fund's net zero ambitions.
26 January 2024	• Consideration of the proposed Strategic Asset Allocation for 2024 included Fund specific net zero considerations. A discussion was held on the merits of fossil fuel free fund, while agreed not appropriate at the current time it was recognised it was something that may be explored further in future. • Approval of the 2024 Responsible Investment (RI) Plan RI 2024 with a focus on external managers stewardship process and targets.
8 March 2024	• LGPS Central provided a presentation stewardship and the revised Stewardship Strategy and how would look to present outcome based stewardship activities. Discussion was held on the best approach to influencing company behaviour and where underlying managers had divested from companies where concerns were held. • The Fund's private equity manager also attended, discussion was held with regard to data transparency difficulties with environmental, social and governance issues and how they were developing increased insights into these areas.

The Committee is supported by Hymans Robertson whose objectives are set out in Investment Advisor Objectives as agreed by Committee in December 2023. Hymans look to support the Committee's own policies and beliefs, including those in relation to responsible investment and climate risk. These considerations are included within investment recommendations and the Strategic Asset Allocation where appropriate.

The Committee has formed an Investment Sub-Committee (the Sub-Committee) which meets quarterly, or otherwise as necessary, to discuss more technical aspects of investments. The Sub-Committee supports the Committee by making decisions in line with the Strategic Asset Allocation and ISS. When making any investment decisions there is always careful regard to ESG factors. The Sub-Committee is also supported by Hymans Robertson.

The Local Pension Board (the Board) has an oversight role in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with Local Government Pension Scheme Regulations and any other legislation relating to the governance and administration of the Scheme. The Board also considers the Fund's risk register on a quarterly basis, including the risks related to climate change. Annually the Board will consider the progress of the Fund's NZCS.

Governance *(continued)*

Management's Roles and Responsibilities

The Director of Corporate Resources at Leicestershire County Council has responsibilities under Section 151 of the Local Government Act 1972 and provides financial advice to the Committee, including financial management, issues of compliance with internal regulations and controls, budgeting and accounting.

The Director of Corporate Resources has primary day-to-day responsibility for the way in which climate-related investment risks are currently managed. Where appropriate, the Fund's pooling company, LGPS Central, assists in assessing and managing climate-related risks. As detailed in the NZCS, the Fund leverages partnerships and initiatives, including the Institutional Investors Group on Climate Change (IIGCC), to identify and manage climate risk. The Director of Corporate Resources is accountable to the Committee for the delivery of the NZCS.

As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated to external portfolio managers. Managers are monitored on a regular basis by the Committee and Sub-Committee.

Since 2020 the Fund Officers have received an annual Climate Risk Report, which allows a view of climate risk throughout its total equities and fixed income portfolios, and the identification of further means for the Fund to manage its material climate risks.

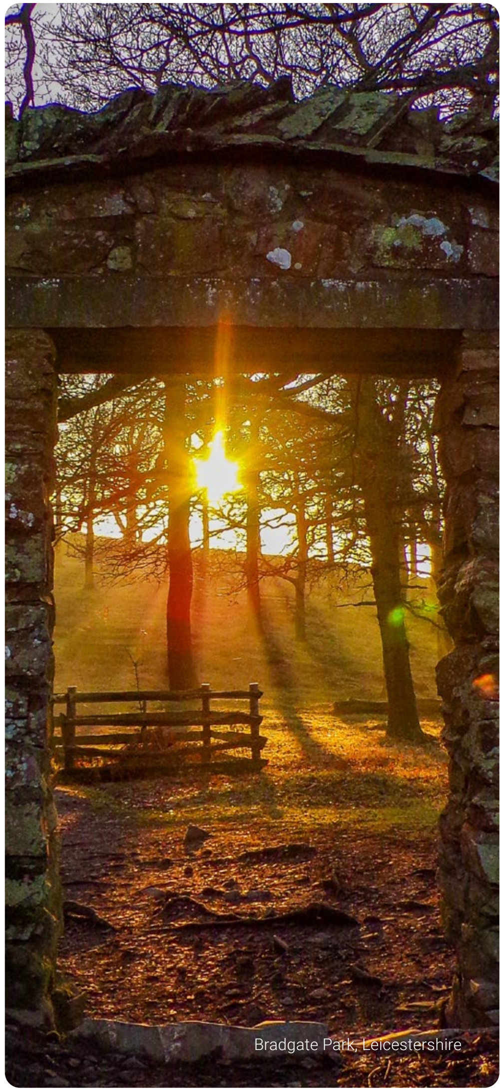
Roles of Advisors

In decision-making, the Fund takes advice from its officers and external advisors. The Fund has taken advice from its Investment Consultant, Hymans Robertson LLP (Hymans Robertson), to advise on a sustainable investment strategy and amendments to the strategy reflecting changes in market conditions. The Fund's Investment Consultants also advise on the actions the Fund should undertake to deliver its net zero goals and other responsible investment objectives and priorities. They also advise on the investment approach to support meeting the Fund's cashflow, deliver strategic advice that captures the downside risk tolerance preference of the Committee, and advise on the cost-efficient implementation of the Fund's investment strategy. In providing investment advice, Hymans Robertson is regulated by the Financial Conduct Authority.

These advisors regularly attend meetings of the Pension Fund Committee and Investment Sub-Committee. Performance against objectives is reported annually reflecting Hymans Robertson's support of the development of the Fund's NZCS and consideration of net zero as part of investment recommendations where possible.

Role of Actuaries

The Committee also appointed Hymans Robertson as the Fund's actuarial advisor. In this role, Hymans Robertson conducts a valuation of the Fund every three years in line with Local Government Pension Scheme regulations. As part of the Fund's 2022 triennial valuation reports, the Fund's actuary, Hymans Robertson has incorporated climate scenario stress testing into the contribution modelling exercise for the local authority employers.[5] The corresponding report and the advice it contains


Bradgate Park, Leicestershire

[5] The results of the climate scenario stress testing are discussed in the Strategy section of this report.

Governance *(continued)*

complies with the following Technical Actuarial Standards, TAS100 – Principles for technical actuarial work and TAS300 – Pensions which are issued by the Financial Reporting Council. A mid-point valuation was reported in December 2023 to the Committee, it was noted ahead of the 2025 valuation the Fund would look at balancing longer-term security and stability with employer affordability while considering the impact of risks such as inflation and climate change and look at where it may be prudent to provide security against future risks that may be more difficult to quantify.

Roles of Pooling Company

LGPS Central operate as the pooling company for the Fund, from a climate perspective this includes producing annual Climate Risk Reports including the production of the Fund's climate metrics which help inform the establishment of the Fund's NZCS and targets, as well as the tracking of these targets.

LGPS Central also assist the Fund in integrating responsible investment, including climate considerations, into the Fund's investments during the selection and monitoring process as well as conducting engagement with companies and policy makers on behalf of the Fund.

LGPS Central announced their Net Zero Strategy in October 2023. Their own TCFD reporting can be found here.

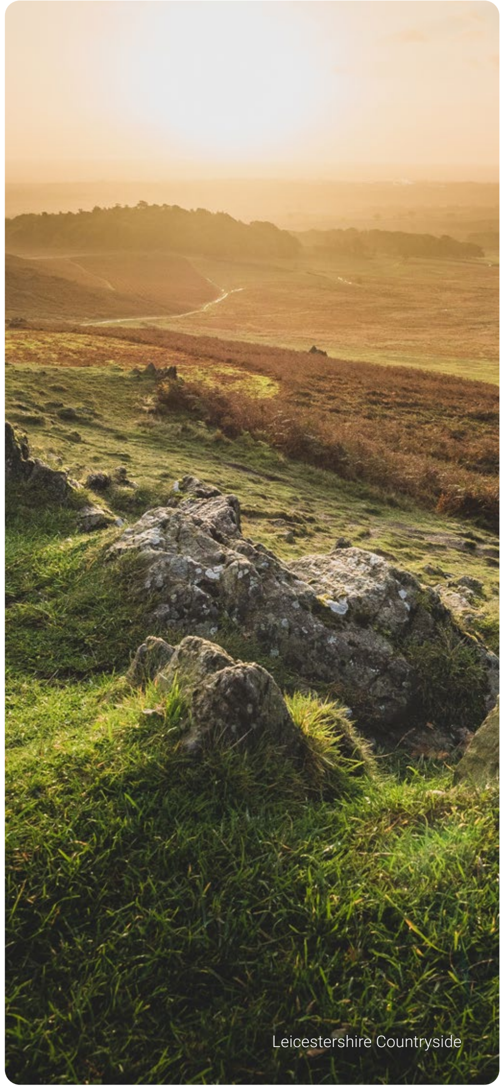
Ongoing Education and Training

The Fund supports the continuous improvement of knowledge and skills appropriate for governing bodies in line with the Chartered Institute of Public Finance and Accountancy's LGPS Knowledge and Skills 2021. The Fund undertakes training needs assessments of Committee and Board members on an annual basis. In respect of climate factors members reported that they were either fully conversant or reasonably familiar for the fund's management of climate risk and opportunities as at the end of 2023. Over 2023/24 this was supported by induction training, including on responsible investment and climate matters, climate risk monitoring and climate metrics from LGPS Central, the Fund's NZCS and online Aspire Training which includes briefing on TCFD and climate matters for members provided by Hymans Robertson.

The Fund was consulted on reviewing the effectiveness of LGPS Central's Stewardship Strategy which involved ensuring that Central's engagement priorities remain relevant and explored additional engagement areas of focus including adding companies to the engagement priority list.

The Fund's Committee members are also invited to LGPS Central's annual Responsible Investment Summit, in which industry leaders are invited to speak on a range of RI-related topics in an all-day online event. Attendees are given the opportunity to ask questions at each session, providing a valuable opportunity for the Fund's management to enhance their technical understanding of emerging risks and opportunities within RI.

The Fund's Pension Officers also attend quarterly Responsible Investment Working Group meetings. These meetings are organised by LGPS Central and provide updates and training on a variety of ESG topics, including climate change, to the attendees. Previous meetings have included guest speakers from EOS at Federated Hermes, focusing on engagement activities, discussions on net zero and FCA Green Washing regulations, and an update on the UK's climate transition following the election. These meetings are attended by representatives from all eight of LGPS Central's Partner Funds, facilitating discussions and


Leicestershire Countryside

Governance *(continued)*

providing opportunities for attendees to deepen their knowledge of climate issues. In addition, this is complemented by attendance of the Local Authority Pension Fund Forum meetings and conferences.

Next steps for the Fund to consider

- Continue to review, improve, and enhance climate-related disclosures with an awareness of future regulations.

Arch of Remembrance, Victoria Park, Leicester

Strategy

Description of Climate-related Risks and Opportunities

As a diversified asset owner, the range of climate-related risks and opportunities is multifarious and constantly evolving. A subset of risk factors is presented in the table below.

TABLE 1: EXAMPLES 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 the Fund's approach to investments and its internal operations. • The achievement of the Fund's climate targets 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 the impact of likely policy changes in strategic decisions.
Technological Change	Transition	Risk and Opportunity	• Short • Medium • Long	• Across Asset Classes	• Monitor manager awareness of emerging and disruptive technologies. • Consider the 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 external managers maintain adequate consideration of both acute risks (floods, storms, etc) and chronic risks (damages associated with rising sea levels, global temperature increases, etc). • Ensure managers 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. • Ensure managers 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. • Consider managers' awareness of agricultural holdings.

Strategy *(continued)*

Short-, medium- and long-term time horizons have been broadly defined in table 2.

TABLE 2: CLIMATE CONSIDERATIONS TIME HORIZONS

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

As Part of the Fund's Protection assets review,[6] Hymans Robertson provided an assessment of the impact of climate change on gilts and investment grade corporate bonds as well as on equities and real assets, the asset classes from which any increase in protection assets would be funded.[7] The assessment considers the impact on each asset class as a whole, and over the long-term.[8] It is possible, and indeed the Fund already does, mitigate climate risk and increase its exposure to climate opportunities via its choice of manager/strategy.

Exposure to:	Transition risk	Physical risk	Climate opportunities
Gilts (Protection)	**Low:** financing the transition may require more borrowing from the UK government, but we would expect some of this to be priced into markets already.	**Low:** there would be no direct impact, although serious damage to e.g. infrastructure may lead to additional borrowing being required, possibly pushing down gilt prices to some extent.	**Low:** green gilts available, although limited ability to influence government through gilts purchase. Opportunity to engage on climate risks/opportunities through ASCOR project.
Investment Grade Credit (Protection)	**Medium:** companies who do not prepare adequately for the transition may suffer more than others, albeit the risks are less than with owning the equity due to position in the capital structure, fixed (often short to medium term) lending terms and re-pricing in of risks upon reinvestment (companies not aligned or aligning to the transition risk facing increased cost of capital/ borrowing costs).	**Medium:** possible direct impact in terms of disruption to business operations (e.g. through supply chains); companies in certain sectors or geographies may be more exposed. Bonds of a company expected to suffer less than equity.	**Medium:** green bonds (use of proceeds to fund projects that have positive environmental and/or climate benefits) and Sustainability Linked Bonds (linked to climate KPIs) offer some ability for investors to gain exposure to decarbonisation opportunities and/or influence companies. Opportunity to influence/engage for positive environmental outcomes at point of reissuance.
Infrastructure / Property (Income)	**Medium:** property which does not meet evolving standards may find itself obsolete, although we would expect most managers are preparing for this. Some assets in this class may see improvements in value e.g. renewable energy infrastructure.	**Medium:** possibility of direct damage to assets depending on geographical location, though may be mitigated through insurance / avoiding assets in areas exposed to the worst physical impacts.	**High:** ability to participate in the low carbon transition e.g. through building renewable infrastructure, retrofitting existing properties to highest standards etc.
Global Equities (Growth)	**High:** companies who do not prepare adequately for the transition may suffer greater falls than others, though some may already be reflected in the current share price.	**High:** possible direct impact in terms of disruption to business operations (e.g. through supply chains); companies in certain sectors or geographies may be more exposed. Equity of a company expected to suffer more than bonds.	**High:** high scope for investment in climate opportunities. Ability to engage where investing for impact or in private markets.

[6] Leicestershire County Council Pension Fund Protection assets review

[7] In the Hymans Robertson's assessment of climate change on the Fund's protection assets, Hyman Robertson highlights that quantifying the impact is challenging given the lack of available data across all asset classes and is outside the scope of the Protection assets review.

[8] This content is based on the Leicestershire County Council Pension Fund Protection assets review by Hymans Robertson. In this context, the term 'long-term' refers to Hymans Robertson's definition of the timeframe, rather than the definitions provided in Table 2.

Strategy *(continued)*

Description of Impact of Climate-related Risks and Opportunities

Although the Fund is diversified across asset classes, regions, and sectors, the Fund's ISS recognises that "climate change presents a material risk to financial markets" and that "environmental, social and governance factors can influence long term investment performance and the ability to achieve long term sustainable returns". The Fund also recognises that climate risk is systemic and is unlikely to be eliminated through diversification alone.

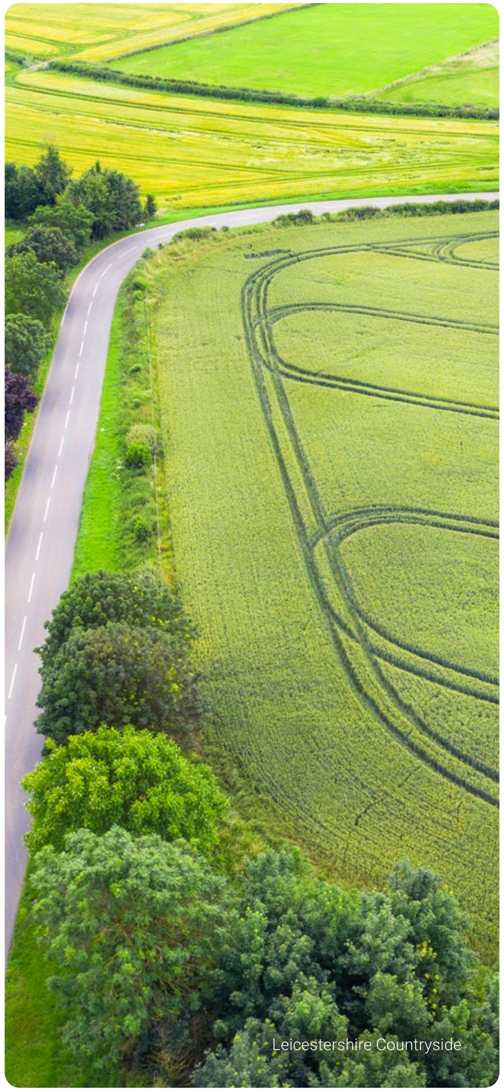
To support management the Fund's NZCS aligns with the Net Zero Investment Framework developed by the Institutional Investors Group for Climate Change and is premised on four pillars: (i) Climate Change Risk and Opportunities; (ii) Targets and Measures; (iii) Decision Making; (iv) Stewardship, Engagement, and Divestment. The Responsible Investment Plan is reviewed on an annual basis and performance of the NZCS is also reported annually.

The Fund's NZCS sets out the Fund's approach to managing the impact of climate-related risks. The main management techniques within the investment strategy are:

- Top-down analysis: Biennial climate scenario analysis that outlines the financial risks that may arise over different climate scenarios, encapsulating both transition and physical risk;
- Bottom-up analysis: Regular measurements and observations on the climate-related risks and opportunities relating to investment performance and the identification of the most carbon intensive businesses within the Fund's portfolio that are engaged with as part of the Annual Stewardship Plan;
- Integration of climate change factors into asset allocation reviews;
- Integration of climate-related risks into the selection, due diligence and monitoring of investment managers; and
- The use of stewardship techniques to manage the risks and opportunities within the Fund's investment portfolio.

Since 2019 this has resulted in the Fund investing over £1billion in investments that take climate change factors into account.

In working towards the Fund's medium- and long-term net zero targets the Fund has committed to decreasing exposure to fossil fuels and increasing exposure to 'climate solutions'. The Fund has committed to reviewing fossil fuel exposure in the Fund's equity holdings and looking to limit fossil fuel exposure where new mandates are entered into. This was reviewed in detail as part of the April 2023 Investment Sub-Committee where the Fund also agreed to invest in a Low Carbon Transition Fund. The Fund also commits to increasing exposure to 'climate solutions' by considering specialised investment products as opportunities arise, such as the investment in Quinbrook Infrastructure Partners Net Zero Infrastructure Power Fund and a Carbon Offset Opportunities Fund through Stafford Capital.


Leicestershire Countryside

Strategy *(continued)*

Description of Resilience of the Organisation's Strategy

To consider the resilience of the Fund's Funding strategy, via Hymans Robertson, the Fund conducted climate scenario stress testing in the contribution modelling exercise for the local authority employers as part of the 2022 valuation. This was conducted to better understand how the Fund's funding strategy performs under different climate scenarios.

The results of Hymans Robertsons Climate Scenario Stress can be found in Leicestershire County Council Pension Fund 2022 Actuarial Valuation Report.[9] This report is supplemented through Hyman Robertson's LGPS 2022 valuation toolkit.[10] While the risk metrics under certain scenarios are weaker, this is to be expected given that the scenarios are purposeful stress tests by Hymans, and all the scenarios are bad outcomes. Even though the other scenarios are weaker, they are not materially so, and not enough to suggest that the funding strategy is unduly exposed to climate change risk. The Fund will continue to monitor this risk as more information emerges and climate modelling techniques evolve.

Additionally, in 2020 and 2022, via LGPS Central, the Fund engaged the expertise of an external contractor, Mercer LLC (Mercer), to better understand the extent to which the Fund's risk and return characteristics could come to be affected by a set of plausible climate scenarios.

In the 2022 iteration, this included an estimation of the annual climate-related impact on returns (at the fund and asset-class level) across three different climate scenarios including all asset classes. The three climate scenarios considered were Rapid Transition, Orderly Transition and Failed Transition. In the analysis, Mercer focused on short-, medium- and long-term time frames of 5, 15 and 40 years. In summary the key findings were: a successful transition is an imperative, sustainable allocations protect against transition risks, growth assets are highly vulnerable to physical risks, the Fund should monitor sector and regional exposures and investors should be aware of future pricing shocks. Since this report the Investment Sub-Committee agreed to reduce the 42% of total assets being held in listed equity assets to


St Mary's Church, Melton Mowbray, Leicestershire

[9] Leicestershire County Council Pension Fund 2022 Actuarial Valuation Report
[10] LGPS_2022_Valuation_Toolkit.pdf (hymans.co.uk)

Strategy *(continued)*

37.5% and added exposure to a Low Carbon Transition fund and divested from an emerging market multi manager fund, while increasing allocation to climate tilted passive equity.

The full results of this analysis can be found in the Fund's 2022 Climate Risk Report.[11]

It should be noted here that translating Climate Scenario Analysis into an investment strategy is a challenge for several reasons. Firstly, there is a wide range of plausible climate scenarios with significantly different and far-reaching consequences. Secondly, the probability of any given scenario is hard to determine, and especially when considering longer time horizons. Finally, the best-performing sectors and asset classes in an orderly scenario tend to be the worst performers in a failed scenario and vice versa. This makes categoric strategic recommendations particularly challenging. Despite the challenges, the Fund believes in seeking out the best available climate-related research in order to make its portfolio as robust as possible.

Next steps for the Fund to consider

- The Fund will next consider Climate Scenario Analysis as part of the triennial valuation in 2025. At that point the Fund will consider the impact of climate change on the Fund's funding strategies, as well as its investments.

Leicestershire Countryside

[11] Leicestershire Pension Fund 2022 Climate Risk Report

Risk Management

Identifying and Assessing Climate-Related Risks and Opportunities

Climate related risk can be identified and assessed by various parties including the Committee, Board, officers, LGPS Central, external investment managers or the Fund's Advisors. This includes the following:

The Fund's Climate Risk Reports includes a combination of both top-down and bottom-up analyses. The Fund recognises that the tools and techniques for assessing climate-related risks in investment portfolios are an imperfect but evolving discipline. The Fund aims to use the best available information to assess climate-related threats to investment performance.

As far as possible climate risks are assessed in units of investment return or company financial details, in order to compare with other investment risk factors. This is primarily through the inclusion of carbon intensity metrics[12] which incorporates factors such as company revenue, enterprise value including cash, and the Fund's investment into the portfolio company, as well exposure metrics which are considered as a proportion of the Fund's net asset value (NAV).

As a primarily externally managed pension fund, the identification and assessment of climate-related risks is also the responsibility of individual fund managers appointed by the Fund. On appointment of any new manager the RI capabilities are assessed by the Fund's Investment Advisor or LGPS Central. Existing fund managers are monitored on a regular basis and managers must complete an annual questionnaire on matters relating to climate risk management, monitoring and stewardship activities.

Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central, EOS at Federated Hermes, and the Local Authority Pension Fund Forum (LAPFF) (see Table 2). Based on the findings of its Climate Risk Report, the Fund has devised a Climate Stewardship Plan to focus engagement resources on the investments most relevant to the Fund's climate risk.

Over 2023/24 Committee drew attention to stranded asset risk recognition, which was subsequently included as part of the risk register review. This risk is monitored through the Fund's fossil fuel reserve measures and managed through its target to reduce exposure. Further discussion was held in December 2023, following which it was agreed to ask Hymans Robertson to consider a fossil free alternative fund as part of the 2024 Strategic Asset Review. Ultimately it was concluded that the Fund's position was manageable in its current form but it was recognised it may need to be reviewed in future.

The Committee also sought assurance that the climate reporting tool provided by LGPS Central would show high-carbon emitting companies that were not pivoting to renewables as quickly as they should be posed a long-term risk for the Fund from an environmental perspective. LGPS Central recognised these concerns and would focus on a company's operational emissions as well as additional metrics that provided a comprehensive view of transition and business risk. This would be supported through engagement and stewardship activities as set out below.


Leicestershire Countryside

[12] Carbon intensity metrics include weighted average carbon intensity and normalised financed emissions. Please see the Metrics and Targets beginning on 23.

Risk Management *(continued)*

Managing Climate Risks and Opportunities

The Fund manages climate risk in different ways according to the nature, duration, magnitude and time horizon of the risk itself. As set out in the Fund's NZCS, the main management techniques are: top-down analysis, bottom up analysis, and investment manager monitoring.

Engagement and shareholder voting are an important aspect of the Fund's approach to managing climate risk. The Fund expects all investee companies to manage material risks, including climate change, and the Fund believes that climate risk management can be meaningfully improved through focussed stewardship activities by investors. The Fund recognises that there are cases in which the Fund will look to divest where material concerns remain.

The Fund has a four-step plan for how it conducts stewardship activities: (1) Evaluation; (2) Engagement; (3) Voting; (4) Divestment.

The Fund evaluates underlying holdings that are net zero, aligned, or subject to engagement activities against relevant indicators and emerging best practice. This is measured through LGPS Central's proprietary Paris Alignment Metric that is constructed using several MSCI data points. It provides an insight into how portfolio companies are currently managing their climate risks, as well as incorporating forward looking metrics.

The Fund supports the engagement objectives of the Climate Action 100+ initiative, which state that companies: adopt the appropriate governance structures to effectively manage climate risk; decarbonise in line with the Paris Agreement; and disclose effectively using the TCFD recommendations.

The instruction of shareholder voting opportunities is an important part of climate stewardship. The Fund's votes are executed by LGPS Central and LGIM. Via LGPS Central votes are executed according to a set of Voting Principles, to which the Fund contributes during the annual review process. LGPS Central's Voting Principles incorporate climate change, for example by voting against companies that do not meet certain thresholds in the TPI scoring system. LGPS Central has also co-filed shareholder resolutions that relate to climate change.

Wilton Park, Melton Mowbray, Leicestershire

Risk Management *(continued)*

During the past four quarters[13] the Fund voted at 9,863 meetings on approximately 125,468 resolutions. Opposing one or more resolution in 68.6% of the meetings, voting in favour at 29.8% of meetings, voting with management by exception in 1.6% of meetings, and abstained in less 0.1% of meetings.

Where the Fund holds material financial and risk concerns over either Investment Managers or underlying companies they are invested in, the Fund delegates decisions to divest individual portfolio companies to investment managers.

Either through its own membership or through LGPS Central's membership, the Fund has several engagement partners that engage investee companies on climate risk which are described in Table 2.

The results of engagement and voting activities are reviewed by the Pension Fund Committee quarterly. LGPS Central's activities are reported in Quarterly Stewardship Reports which are available on the LGPS Central website.

Based on the findings of previous Climate Reports, the Fund has developed a priority list for climate engagements. This list is designed to identify the Fund's top contributors of financed emissions, as well as aligning with LGPS Central's climate stewardship priority companies. This alignment of the Fund's climate stewardship plan and LGPS Central's climate stewardship priority list is intended to support the delivery of meaningful portfolio company research and updates. These companies are chosen following an assessment of issuer contributions to financed emissions and the Fund's capacity to leverage change through engagement. Companies in bold are recommended new additions to the plan.

Firstly, LGPS Central consider the Fund's top contributors to financed emissions. We then consider those LGPS Central are able to meaningfully engage with (primarily those within LGPS Central's stewardship priority list).[14] Please note that there is no specific thresholds for inclusion in the Fund's climate stewardship list.

[13] This time frame includes Q2 2023 to Q2 2024.

[14] Please note that a portfolio company does not need to be included in LGPS Central's climate stewardship priority list to be included in the Fund's climate stewardship plan. If a portfolio company is deemed to be of significant climate risk to the Fund, this company will be included in the Fund's climate stewardship plan, regardless if the portfolio is included in LGPS Central's climate stewardship priority list.

TABLE 3: THE FUND'S STEWARDSHIP PARTNERS

Organisation	Remit
LGPS Central Limited	The Fund is a 1/8th owner of LGPS Central. Climate change is one of LGPS Central's stewardship themes, with quarterly progress reporting available on the website. The Responsible Investment and Stewardship Team at LGPS Central engages companies on the Fund's behalf, including via the Climate Action 100+ initiative.
Federated Hermes	EOS at Federated Hermes is engaged by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies.
Local Authority Pension Fund Forum	The Fund is a long-standing member of LAPFF. LAPFF conducts engagements with companies on behalf of local authority pension funds.

Risk Management *(continued)*

The companies in the Fund's priority list are as follows:

TABLE 4: THE FUND'S CLIMATE STEWARDSHIP PLAN

Company Name	Weight in Total Portfolio (%)	Financed Emissions	Contribution to Total Financed Emissions
SHELL	0.4%	5,975	4.3%
CEMEX	0.1%	4,758	3.4%
CRH	**0.1%**	**3,570**	**2.5%**
HOLCIM	<0.1%	2,885	2.1%
GLENCORE	0.2%	2,271	1.6%
BP	0.2%	1,494	1.1%
LINDE	0.2%	1,492	1.1%
TAIWAN SEMICONDUCTOR MANUFACTURING CO	1.2%	1,271	0.9%

Previously, Anhui Conch Cement and NextEra Energy were included in the Fund's Climate Stewardship Plan (CSP). We have excluded these companies from our analysis and recommended the removal of these companies from the Fund's CSP. Recommendations for changes to the CSP are based on a combination of economic relevance, including exposure and significance of risk, contribution to portfolio financed emissions, and LGPS Central's ability to engage with the company on the issue.

More specifically, since its first inclusion of the Fund's CSP, the Fund's investments in Anhui Conch Cement have been exited. Secondly, since NextEra Energy's original inclusion of the Fund's CSP, the company has fallen to the Fund's 54th top contributor to financed emissions, contributing approximately 53.4% less than Taiwan Semiconductor Manufacturing Co.

The following section offers an engagement update on Shell and bp.

Risk Management *(continued)*

COMPANY:
Shell

Paris Alignment[15]

According to LGPS Central's alignment methodology, the company is not currently aligned to the goals of the Paris Agreement.

Portfolio Impact and Engagement History

At the portfolio level, Shell is responsible for 4.3% of the Fund's total financed emissions. On the Fund's behalf, LGPS Central has engaged Shell extensively through a number of avenues, including bilaterally, through collective engagements, and through our external stewardship provider. LGPS Central's main objective through its Shell engagement is to encourage the company to align its decarbonisation strategy to the goals of the Paris Agreement. Progress is measured against one key KPI, which aims to ensure that Shell's decarbonisation strategy is aligned with the goals of the Paris Agreement.

A summary of LGPS Central's engagement with the company over the last two years can be seen in the chart below:

DECEMBER 2022

LGPS Central met with Shell to discuss why LGPS Central was unable to support Shell's Energy Transition Progress Update at its 2022 AGM.

FEBRUARY 2023

LGPS Central provided ClientEarth with evidence of engagement with Shell, to support the derivative claim against the Board of Directors in the High Court of England and Wales.

DECEMBER 2023

LGPS Central meets with Shell to discuss its alignment with the goals of the Paris Agreement.

APRIL 2024

Shell publishes updated Energy Transition Strategy: We are pleased to see an absolute scope 3 emission reduction target, an element which LGPS Central has prioritised in recent engagements. However, the strategy also removes Shell's 2035 reduction target.

MAY 2024

AGM: LGPS Central, alongside over 20% of other shareholders, voted against Shell's updated Energy Transition Strategy, exceeding the threshold, a corporate response is therefore expected. LGPS Central is currently in dialogue with Shell to arrange a meeting with a member of the company's Board to discuss this in more detail.

Engagement Status

LGPS Central is satisfied with how the engagement is progressing. We have seen developments with the company's introduction of scope 3 targets, but several elements remain before we might consider the company to be aligned with the Paris Agreement. This engagement is currently on Level 2 of our escalation process, whereby we have voted against management recommendations and we are raising our concerns with the corresponding external managers. In light of the above factors, the engagement is currently rated "Amber".

[15] Please see the Metrics & Targets chapter for definitions and discussion of the metrics included in this section.

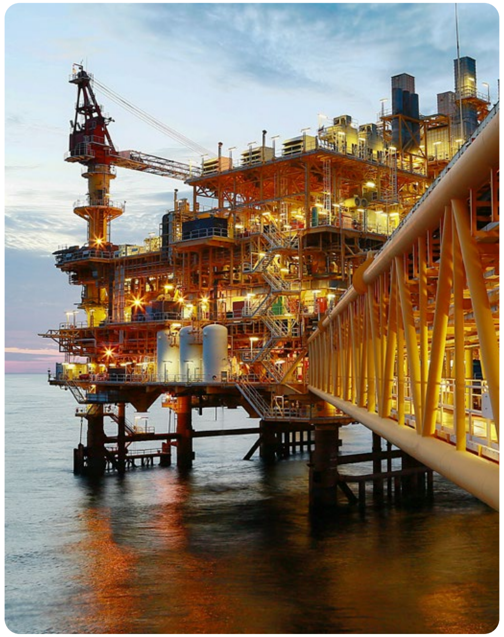
Risk Management *(continued)*

COMPANY:

bp

Paris Alignment

According to LGPS Central's alignment methodology, the company is not currently aligned with the goals of the Paris Agreement.



Portfolio Impact and Engagement History

At the portfolio level, bp contributes 1.1% to the Fund's total financed emissions. On the Fund's behalf, LGPS Central has engaged bp extensively through a number of avenues, including bilaterally, through collective engagements, and through its external stewardship provider. LGPS Central engaged collaboratively with other investors over bp's revision of its climate targets. In addition, EOS engages with bp on a range of climate issues.

A summary of LGPS Central's engagement with the company over the last two years can be seen in the chart below:

NOVEMBER 2023

LGPS Central voted against the Financial Statements and Statutory Reports, CEO, and Chair due to concerns pertaining to the management of climate risk. A letter was sent to bp outlining our rationale for dissent.

DECEMBER 2023

LGPS Central engaged with bp on its capex alignment with net zero and its transition growth engines. The engagement sought reassurance from the company that no further revisions of the climate targets would occur and that the investors would be consulted if there were any significant changes in the company's approach to ESG matters.

Engagement Status

LGPS Central's engagement status with bp is categorised as 'Amber'.[16] We require reassurance that the company's capex is aligned with a net zero trajectory. We will continue to engage with the company on this matter.

[16] The RAG status refers to the current level of progress made on the latest engagement. Therefore, a red status may simply refer to an engagement which has only recently been initiated, rather than one which is not progressing.

Risk Management *(continued)*

Climate in the Context of the Fund's Risk Framework

The Fund has an active risk management programme in place which addresses areas such as investment, liability, employer, governance, operational and regulatory risks. In managing risk, officers consider the risk register on a rolling basis with quarterly meetings, the results of these discussions are fed into Board and Committee on a quarterly basis.

Both 'mainstream' risks and climate-related risks are discussed by the Committee and Investment Sub-Committee. While specific macroeconomic risks are not usually included in isolation, the Fund has deemed climate risk to be sufficiently significant and therefore included on the Fund's Risk Register. Climate risk is further managed through the Fund's NZCS and Climate Stewardship Plan.

Next Steps for the Fund to consider

- Continue to monitor the companies within the Fund's Climate Stewardship Plan, updating the list when necessary.
- Continue to monitor the opportunities and challenges of investments relative to the specific challenges and opportunities posed by their respective sector. This may include looking beyond scope 1 and 2 emissions where appropriate.


Rutland

Metrics and Targets

What We Measure

Over time, the scope of analysis and the metrics employed has expanded and evolved to keep abreast of the latest methodologies and available data. As of 31 March 2024, we measure the carbon footprints of the Fund's equities, corporate bonds, sovereign debt, and private equity investments.

The metrics chosen for assessing climate risks and opportunities in the Fund's investments are based on several criteria:

1) **Usefulness:** The selected metrics are tailored to fit into the Fund's framework for managing climate risks and opportunities.
2) **Regulatory requirements:** The metrics align with the DLUHC's consultation.[17] They also align with the FCA's requirements on climate reporting, as set out in the December 2021 policy statement.[18] 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).[19]

A selection of headline metrics and other metrics are utilised to measure the Fund's climate risks and opportunities. We don't believe any single metric is sufficiently insightful (when considered in isolation) to highlight the 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 techniques evolve.

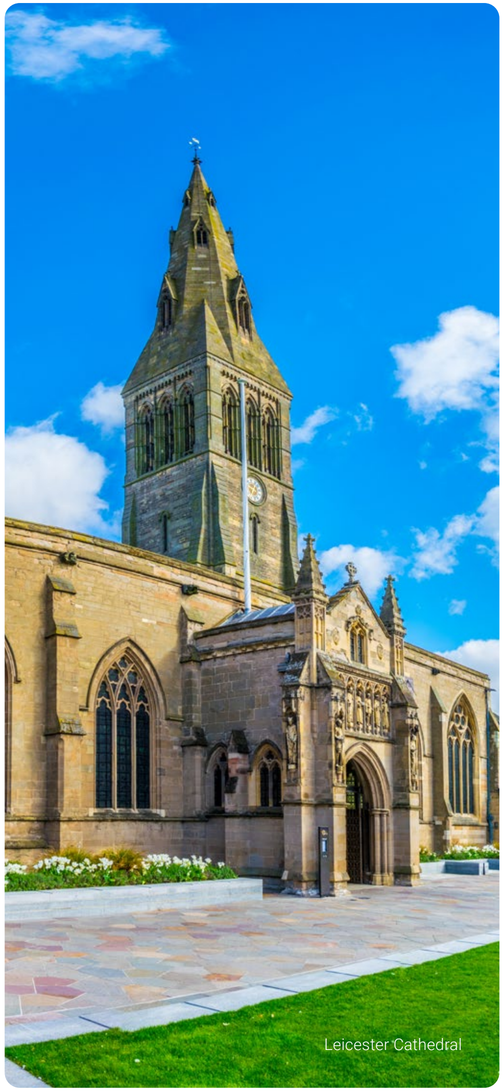
The headline metrics contained within this report include:

- **Absolute emissions metric –** financed emissions
- **Emissions intensity metric –** normalised financed emissions and weighted average carbon intensity (WACI)
- **Paris 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 30 July 2024. 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 Fund's aggregated climate risks, which are supplemented with an in-depth, holistic analysis of individual portfolio companies, which can be used to drive engagement activity.

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


Leicester Cathedral

Metrics and Targets *(continued)*

Headline Metrics

The headline metrics below detail the absolute emissions and carbon intensity metrics utilised to analyse the Fund's climate risks and opportunities. WACI has been a staple carbon footprint metric, and we introduced financed emissions and normalised financed emissions more recently as data improved and methodologies were introduced. The introduction of the former provides an insight into the absolute emissions the Fund is responsible for through its investments. The latter normalises these emissions by £m invested.

TABLE 5: HEADLINE METRICS

Metrics	Financed Emissions	Normalised Financed Emissions	Weighted Average Carbon Intensity (WACI)
Absolute / Intensity	Absolute	Intensity	Intensity
Definition	Financed emissions calculates 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[20]	tCO_2e / $m sales[21]
Comparability	No; does not take size into account	Yes; adjusts for fund size	Yes

[20] Normalised financed emissions uses GBP as the base currency as this is the currency used for the Fund's investments.

[21] WACI uses USD as the base currency due to USD's prevalence in global corporate reporting.

Metrics and Targets *(continued)*

Paris Alignment Metric

LGPS Central's Paris Alignment Metric is a proprietary metric constructed using several MSCI data points. It provides an insight into how portfolio companies are currently managing their climate risks, as well as incorporating forward looking metrics.

A company will be considered aligned/aligning to the Paris Agreement if:

The company scores 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 **ITR rating** of 2.0°C or lower

Scope 3 Emissions

In addition to reporting scope 1 and 2 emissions, scope 3 financed emissions are also included. 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 the portfolio level, scope 3 emissions will also be subject to double counting. Scope 3 emissions have not been combined with scopes 1 and 2 to mitigate this issue.

Abbey Park, Leicester

Metrics and Targets *(continued)*

The Fund's Climate Targets

In the below table, the Fund's climate targets are provided alongside the progress that the Fund is making in order to achieve those targets.

TABLE 6: THE FUND'S CLIMATE TARGETS

Primary Targets

Target	Progress as of 31st March 2024
Net zero by 2050, with an ambition for sooner.	See below.
Reduce absolute carbon emissions of the equity portfolio by 40% by 2030.	Financed emissions have decreased by **40.4%**.
Reduce carbon intensity of the equity portfolio by 50% by 2030.	Weighted Average Carbon Intensity has declined by **52.8%**.

	2019 (restated)	2024
Financed Emissions	189,401 tCO_2e	112,811 tCO_2e

	2019 (restated)	2024
WACI	162.3 tCO_2e/\$m sales	76.7 tCO_2e/\$m sales

Metrics and Targets *(continued)*

Secondary Targets

Target	Progress as of 31st March 2024		
90% coverage of assets measured by 2030.	Approximately 57.4% of the Fund's total NAV is covered by carbon metrics.		
90% assets under management in material sectors to be classified as net zero, aligned or aligning by 2030.		**2023**	**2024**
	Material sector AUM	£2.3 billion	£2.5 billion
	Material sector AUM aligned/aligning	£1.6 billion	£1.6 billion
	Proportion of AUM aligned/aligning	68.3%	64.2%
Increase allocation to climate solutions.	Equity exposure to clean tech increased by **7.1 percentage points**. Share of revenue from clean tech increased by **1.6 percentage points**.		
		2019	**2024**
	Clean Exposure	35.6%	42.7%
	Clean Tech Revenue	4.2%	6.5%
90% of the Fund's financed Emissions to have net zero targets, alignment pathway or subject to engagement by 2030.	Proportion of financed emissions considered to be Paris aligning/aligned by LGPS Central's Paris Alignment metric or under engagement.[22]		
		2023	**2024**
	Equity	80.7%	75.7%[23]

[22] Please see page 25 for further details of LGPS Central's Paris alignment metric.

[23] Please note that engagement data is not restated, historic engagement metrics are therefore reflective of previously reported values. In addition to this, LGPS Central's methodology to determine if a portfolio company has been engaged has been improved to for 2024 reporting apply a stricter definition of engagement.

Metrics and Targets *(continued)*

Target	Progress as of 31st March 2024
Reduce the proportion of the Fund with fossil fuel exposure.	Equity exposure to fossil fuel reserves increased by **0.9 percentage points**. Share of revenue from fossil fuel decreased by **0.1 percentage points**.

	2019	2024
Fossil Fuel Reserves	5.5%	6.4%
Fossil Fuel Revenue	2.0%	1.9%

Target	Progress as of 31st March 2024
	The increase in fossil fuels reserves can be associated with the new holding Berkshire Hathaway, which is a relatively large holding in the financials sector. While the company derives less than 1% of its revenue from fossil fuel reserves, this measure considers the entire portfolio weight to be exposed to fossil fuels if the company derives any revenue from fossil fuel reserves. This is reflected in fossil fuel revenue, which apportions exposure by the proportion of revenue derived from fossil fuels.
Leicestershire County Council and LGPS Central: operational net zero by 2030.	Due to the challenges posed by the current financial climate, Leicestershire County Council have made the decision to extend their net zero targets. This means becoming a net zero council by 2035. The Fund continues to engage with LGPS Central on the approach to operational net zero targets.

Metrics and Targets *(continued)*

The Fund's Climate Metrics

Scope of Analysis

The following Climate Metrics offer a detailed, bottom-up analysis with the following objectives:

- Observing climate transition risks and opportunities within the portfolio.
- Identifying opportunities for engagement with companies.
- Facilitating the monitoring of climate risk management by managers.

This analysis encompasses public market investments reported by the Fund as of 28 March 2024. It includes holdings in listed equity, fixed income funds including government debt, and the Fund's private market holdings managed by LGPS Central. Private market holdings have been newly incorporated into this report as of 2024. Where available, reported data for private market holdings has been utilised. Where unavailable, estimations have been constructed using the portfolio holdings value, revenue, sector and attributed ownership. Due to the current non-uniformity of private market data, it has not been possible to extend this coverage to the Fund's external private market investments.

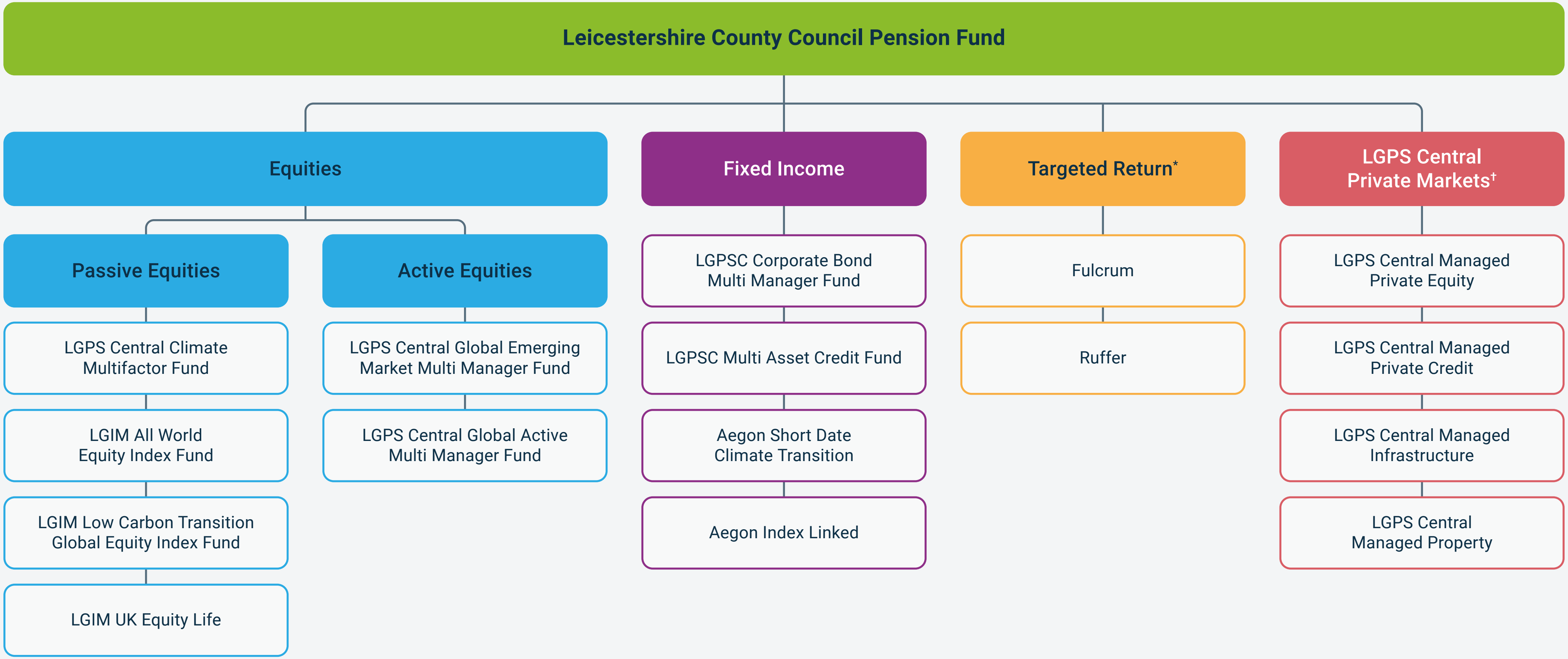
The assets under management (AUM) within the report's scope totalled approximately £4.4 billion as of that date, with the specific funds outlined in the chart below. This figure includes the Fund's commitment of approximately £824.5 million to LGPS Central managed private market portfolios. The Fund's private market climate metrics can be found in Appendix 1.

LGPS Central has been calculating carbon footprint metrics for the Fund since 2019. The scope of the footprinting exercise has expanded over time as the Fund effected asset allocation decisions and new data for additional asset classes were added during this period. This report summarises the evolution of the Fund's carbon footprint up to 28 March 2024.


Rutland Water

Metrics and Targets *(continued)*

FIGURE 3: BREAKDOWN OF FUNDS INCLUDED IN THE ANALYSIS



* Portfolio does not meet 60% corporate data coverage threshold. † Private markets data can be found in Appendix 1.

Metrics and Targets *(continued)*

Restated 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 data coverage expands.

We recalculate our emissions annually and may revise previously reported greenhouse gas (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 the 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 Partnership for Carbon Accounting Financials (PCAF) and MSCI.

TABLE 7: TOTAL EQUITY RESTATEMENTS

Data	Data as of	Portfolio Value Reported in 2023	Portfolio Value Restated in 2024	Change from Restatement (Portfolio)
WACI	Q4 2019	164.4	162.3	-1.3%
	Q1 2021	111.8	112.3	0.5%
	Q1 2022	103.3	92.8	-10.2%
	Q1 2023	102.0	91.5	-10.3%
Financed Emissions	Q4 2019	196,573	189,401	-3.6%
	Q1 2021	144,039	143,392	-0.4%
	Q1 2022	163,215	158,935	-2.6%
	Q1 2023	158,353	144,938	-8.5%

TABLE 8: FIXED INCOME RESTATEMENTS (WHERE PORTFOLIO CORPORATE DATA AVAILABILITY IS GREATER THAN 60%)

Data	Data as of	Portfolio Value Reported in 2023	Portfolio Value Restated in 2024	Change from Restatement (Portfolio)
WACI	Q1 2021	163.3	275.6	68.8%
	Q1 2022	145.0	202.9	39.9%
	Q1 2023	145.2	194.4	33.9%
Financed Emissions	Q1 2021	5,290	9,929	87.7%
	Q1 2022	9,501	29,311	208.5%
	Q1 2023	9,391	24,892	165.1%

Metrics and Targets *(continued)*

Significant restatements within the Fixed Income portfolio are primarily attributable to improved data availability. LGPS Central exercises a 60% corporate data coverage threshold at portfolio level for inclusion in analysis.[24] Previously two of the Fund's fixed income portfolios did not meet this threshold. As data availability has improved within these portfolios they have now been included in this year's analysis. However, this greater inclusion has had an adverse impact on the Fund's fixed income WACI and financed emissions, and accounts for majority of the discrepancy in the fixed income restatements.


Abbey Park Bridge, Leicester

[24] Please note that when considering a portfolio containing underlying portfolios, we apply this corporate data coverage constraint at the aggregated portfolio level. E.g., if an underlying portfolio does not meet the corporate data coverage it would not be excluded if the aggregated portfolio meets the threshold.

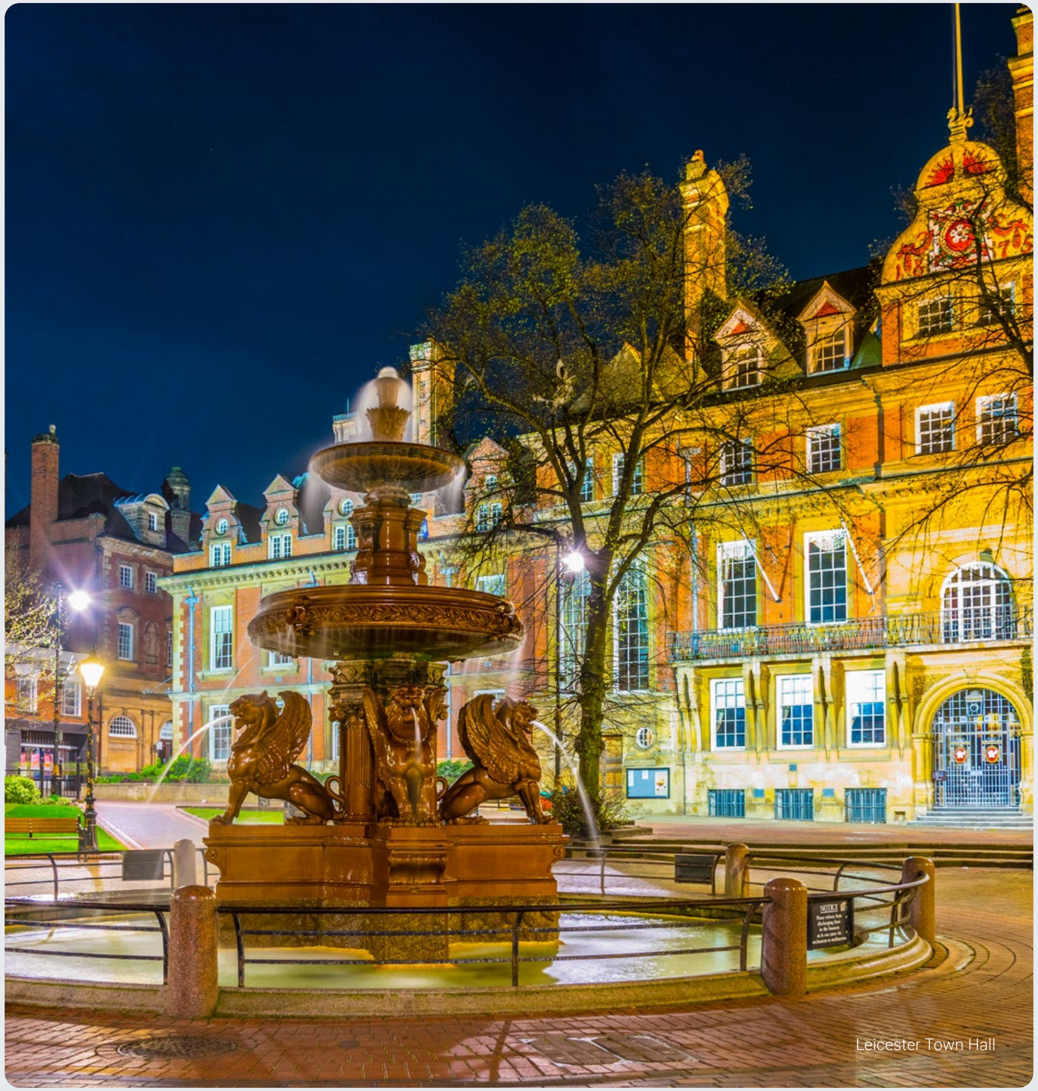
Metrics and Targets *(continued)*

Data Quality

TABLE 9: DATA QUALITY OF PUBLIC ASSETS

Asset Class	Missing/ Unavailable	Reported	Estimated
Equity	1.5%	94.8%	3.7%
Fixed Income	24.9%	37.2%	38.0%

Table 8 illustrates the overall data quality of the Fund's public assets reported on within this report.


Leicester Town Hall

Metrics and Targets *(continued)*

Equity

The below dashboard shows the Fund's aggregated climate risk metrics for each portfolio in the equity asset class.

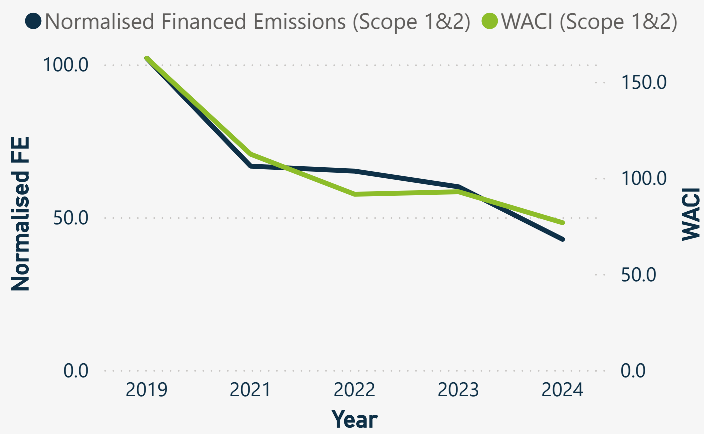
Equity	Multiple	Multiple	£2,696,164,893	Blended	Q1 2024
Fund Asset Class	Fund Classification	Fund Manager	NAV	Reference Index	Period

Carbon Footprint Metrics						
	Emissions Category	Portfolio	Index	Previous Year	Portfolio	Index
Listed Equity / Corporate Bonds						
Financed Emissions (tCO_2e)	Scope 1+2	112,811	185,619	144,938	98.2%	99.6%
	Scope 3	1,313,488	1,153,666	1,296,805	87.8%	89.4%
Normalised Financed Emissions (tCO_2e/£m Invested)	Scope 1+2	42.8	79.2	59.9		
	Scope 3	555.7	492.5	598.4		
Weighted Average Carbon Intensity (tCO_2e/$m Sales)	Scope 1+2	76.7	140.5	92.8	98.2%	99.6%
Sovereign Debt						
Financed Emissions (tCO_2e)	Production					
Weighted Average Carbon Intensity (tCO_2e/Capita)	Consumption					

Top 10 Emissions Contributors

Issuer	Portfolio Weight	Index Weight	% Financed Emission		% WACI		Scope 1+2	Scope 3	Engagement	LCT	ITR	SBT
SHELL PLC	0.6%	0.6%	5.3%	1	1.8%	9	90.0M	1,174.0M	Yes	2.5	1.8	Yes
CRH PUBLIC LIMITED COMPANY	0.2%	0.1%	3.2%	2	2.5%	4	33.8M	12.9M	Yes	5.1	1.7	Yes
BERKSHIRE HATHAWAY INC.	1.2%	0.9%	2.9%	3	3.8%	1	75.5M		Yes	5.0	1.9	
CEMEX, S.A.B. de C.V.	0.0%	0.0%	2.8%	4	1.5%	14	39.3M	16.5M	Yes	4.2	1.7	Yes
Holcim AG	0.1%	0.1%	2.6%	5	2.1%	7	83.0M	47.0M	Yes	4.1	1.9	Yes
Petroleo Brasileiro S.A. (Petrobras)	0.3%	0.2%	2.5%	6	1.5%	13	47.7M	435.8M	Yes	1.8	3.8	
Chubu Electric Power Company, Incorporated	0.1%	0.0%	2.3%	7	1.0%	18	47.4M	8.2M	Yes	4.5	1.9	
NTPC LIMITED	0.0%	0.0%	1.7%	9	1.6%	11	336.5M	4.4M	No	0.0	10.0	
LINDE PUBLIC LIMITED COMPANY	0.2%	0.3%	1.3%	13	3.7%	2	37.7M	25.9M	Yes	4.5	10.0	Yes
Taiwan Semiconductor Manufacturing Co., Ltd.	1.5%	1.3%	1.1%	15	3.5%	3	12.9M	7.4M	Yes	5.9	2.6	

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
6.4% | 7.2%	1.9% | 3.2%	3.2% | 2.8%	2.3% | 2.8%	42.7% | 41.9%	6.5% | 7.1%

Portfolio Alignment & Engagement

Engagement	Data Quality	LCT	ITR	SBT	Alignment
61.9%	2.1	41.7%	36.6%	44.1%	27.6%

Metrics and Targets *(continued)*

We analysed 6 equity portfolios totalling approximately £2.7 billion as of 31 March 2024.

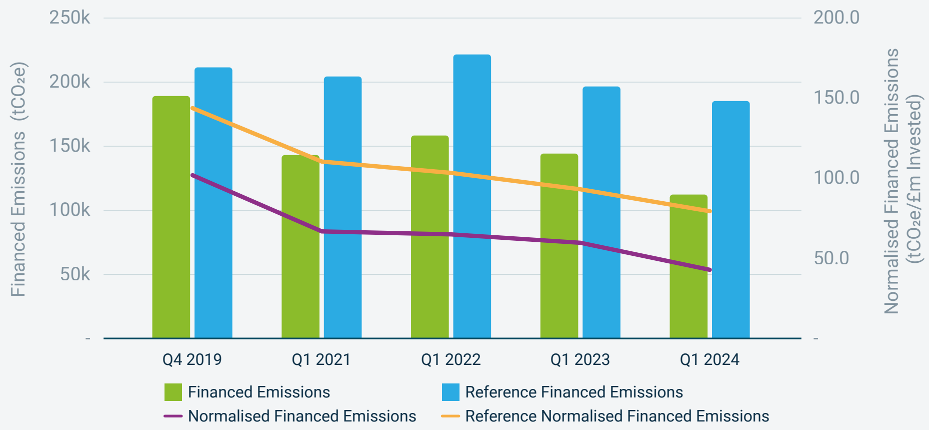
Each fund's carbon footprint is evaluated in comparison to the primary market index in which it predominantly invests. The table below summarises the reference indices that we utilised.

TABLE 10: REFERENCE INDICES

Investment Universe (Most Predominant)	Reference Index
UK Equities	FTSE UK All Share Index
Developed Markets	FTSE All-World Index
Emerging Markets	FTSE Emerging Index

Carbon Footprint Metrics

GRAPH 1: EQUITY FINANCED EMISSIONS OVER TIME



GRAPH 2: EQUITY WACI OVER TIME

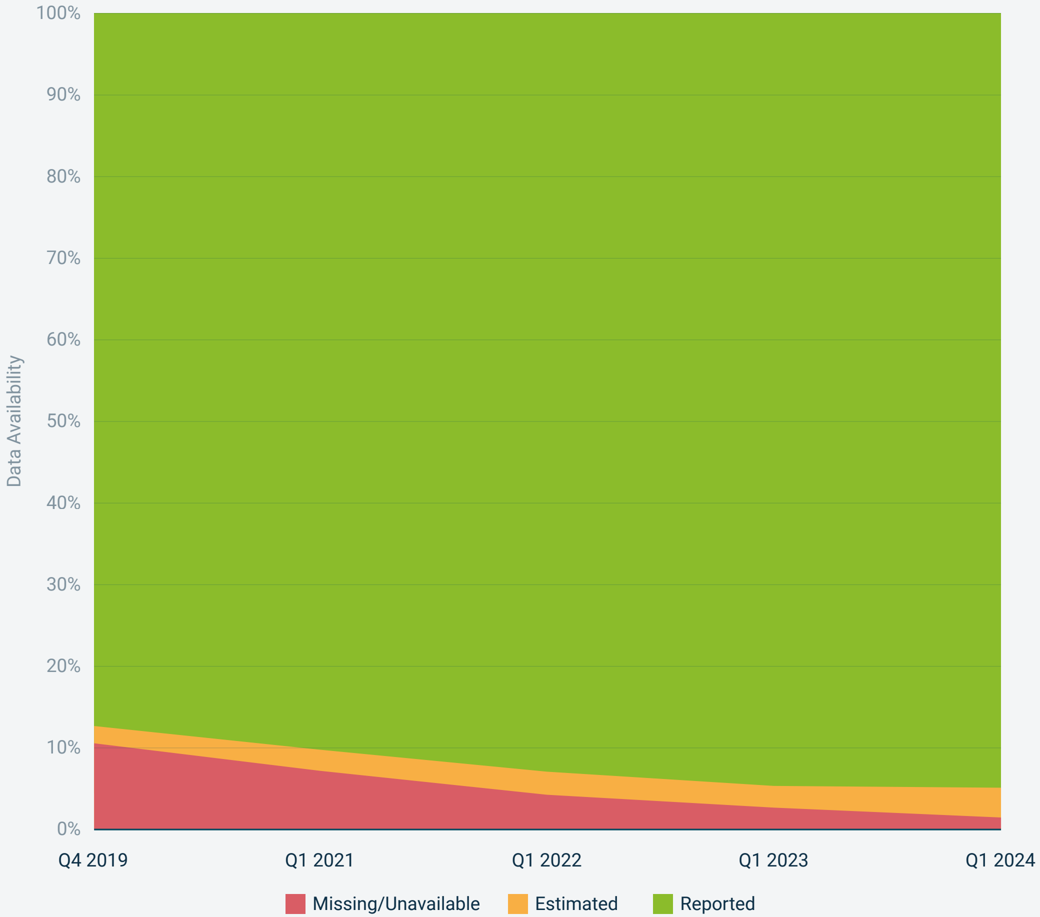
As shown in Graph 1, the Fund's equity portfolio financed emissions decreased by 40.4% from 2019, alongside a 29.2% increase in NAV over the same period. Accounting for fluctuations in NAV, the portfolio's normalised financed emissions decreased by 58.1% from 2019, with a significant decrease (28.6%) occurring between 2023 and 2024. This change can be associated with the Fund's asset allocation decisions, as the Fund invested in a less carbon-intensive portfolio (LGIM Low Carbon Transition Global Equity Index Fund).

The decrease in normalised financed emissions can be attributed to a lower exposure to carbon-intensive companies, illustrated by the 52.8% decrease in WACI since 2019 (Graph 2). During 2019 the greatest level of the WACI within the Fund's holdings was associated with the Utilities sector, which from 2019 has decreased by 44.7%, compounded by a 1.6 percentage points decrease in the portfolio weight associated with this sector. The WACI associated with the portfolio's exposure to the Materials sector also decreased by 38.6%. The financed emissions associated with these sectors decreased by 52.7% and 60.9% respectively. Over the same period, the portfolio weight to the Materials sector decreased by 2.6%.

Metrics and Targets *(continued)*

Data

GRAPH 3: EQUITY DATA AVAILABILITY OVER TIME



While data availability for equities has been relatively strong since we began carbon footprinting on behalf of the Fund, the graph above illustrates an improving trend as the data availability of portfolio companies improves. A high level of data availability implies the aggregated carbon metrics are more reflective of the portfolio's overall carbon emissions profile. Where data availability is lower, aggregated carbon metrics are more likely to be skewed and therefore less reflective of the actual portfolio emissions as a whole.

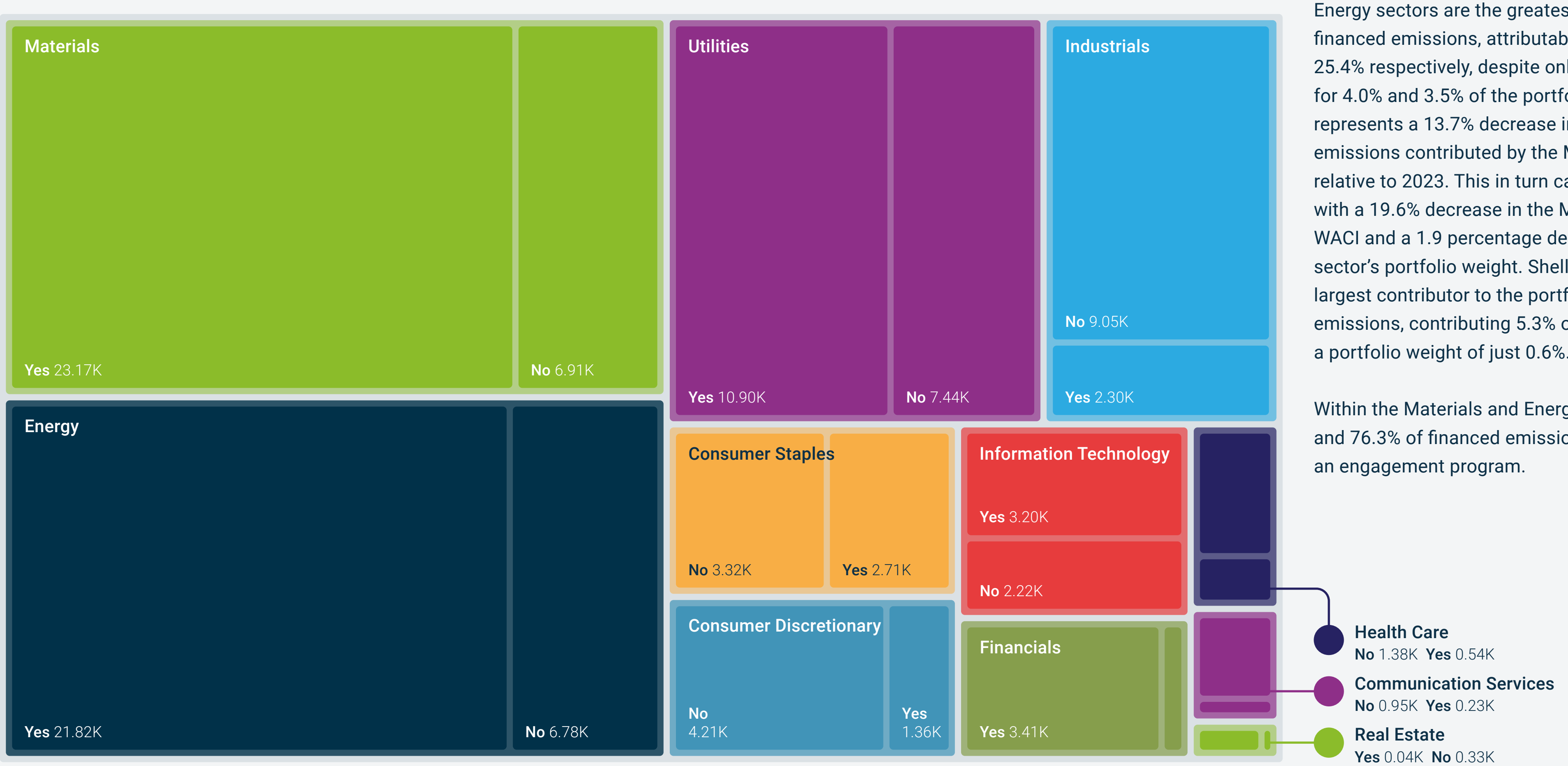
Typically, it is the most carbon intensive companies which are most likely to have available carbon metrics. This is due to a greater interest regarding their emissions and greater pressure on these companies to report these emissions. Portfolios with low carbon emissions data availability therefore tend to be skewed towards companies with greater emissions, which can inflate the portfolio's carbon emissions.

We have had access to a substantial amount of equity data since we began calculating carbon footprint metrics. Our current primary focus is to enhance the quality of the data used in these calculations. At present, the majority (94.1%) of the data analysed, as measured as a percentage of the total value of equity funds, is sourced from company-reported data. 5.2% of data analysed is based on estimates.

Metrics and Targets *(continued)*

Sources of Emissions

FIGURE 4: EQUITY: SCOPE 1 AND 2 FINANCED EMISSIONS BY SECTOR AND ENGAGEMENT COVERAGE



From a sector perspective, the Materials and Energy sectors are the greatest contributors of financed emissions, attributable to 26.7% and 25.4% respectively, despite only accounting for 4.0% and 3.5% of the portfolio's NAV. This represents a 13.7% decrease in the financed emissions contributed by the Materials sector relative to 2023. This in turn can be associated with a 19.6% decrease in the Materials sector's WACI and a 1.9 percentage decrease in the sector's portfolio weight. Shell is the single largest contributor to the portfolio's financed emissions, contributing 5.3% of emissions with a portfolio weight of just 0.6%.

Within the Materials and Energy Sector 77.0% and 76.3% of financed emissions are covered by an engagement program.

Metrics and Targets *(continued)*

Fixed Income

The below dashboard shows the Fund's aggregated climate risk metrics for each portfolio in the Fixed Income asset class.

Fixed Income	Multiple	Multiple	£867,632,327	Blended	Q1 2024
Fund Asset Class	Fund Classification	Fund Manager	NAV	Reference Index	Period

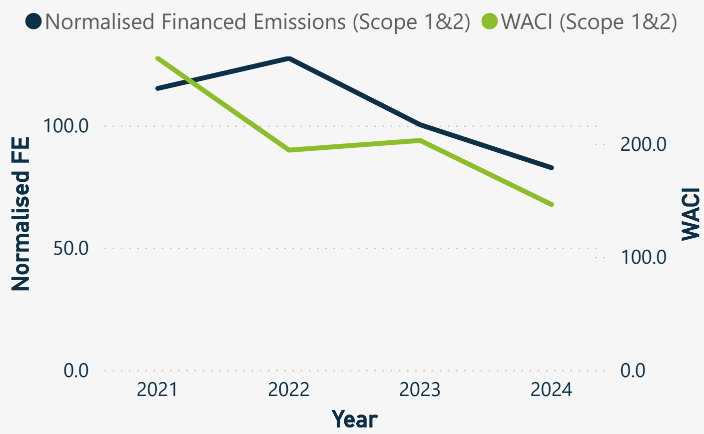
Carbon Footprint Metrics

	Emissions Category	Portfolio	Index	Previous Year	Portfolio	Index
Listed Equity / Corporate Bonds						
Financed Emissions (tCO_2e)	Scope 1+2	27,708	11,557	24,892	68.8%	72.5%
	Scope 3	104,943	76,215	127,262	62.1%	69.0%
Normalised Financed Emissions (tCO_2e/£m Invested)	Scope 1+2	82.7	70.5	100.3		
	Scope 3	362.2	465.0	581.7		
Weighted Average Carbon Intensity (tCO_2e/$m Sales)	Scope 1+2	146.3	191.5	202.9	83.0%	94.1%
Sovereign Debt						
Financed Emissions (tCO_2e)	Production	70,709	54,143	36,940	99.8%	99.9%
Weighted Average Carbon Intensity (tCO_2e/Capita)	Consumption	9.9	9.0	10.4	99.8%	99.9%

Top 10 Emissions Contributors

Issuer	Portfolio Weight	Index Weight	% Financed Emission		% WACI		Scope 1+2	Scope 3	Engagement	LCT	ITR	SBT
CEMEX, S.A.B. de C.V.	0.1%		5.7%	1	1.2%	6	39.3M	16.5M	Yes	4.2	1.7	Yes
SASOL FINANCING USA LLC	0.0%		5.4%	2	0.9%	8	64.4M	36.7M	Yes	1.4	10.0	
CLECO CORPORATE HOLDINGS LLC	0.1%	0.0%	4.4%	3	1.9%	4	9.2M		No			
BERRY PETROLEUM COMPANY, LLC	0.0%		4.1%	4	0.7%	14	3.4M		No	2.3	5.9	
AMERICAN AIRLINES, INC.	0.1%		3.5%	5	0.6%	15	34.8M	13.8M	No	5.5	1.9	Yes
THE SOUTHERN COMPANY	0.1%	0.0%	3.4%	6	2.9%	1	85.0M	38.5M	Yes	3.5	4.0	
WESTERN MIDSTREAM OPERATING, LP	0.2%	0.0%	3.1%	7	1.9%	3	4.9M		No	1.5	3.2	
ELECTRICITE DE FRANCE SA	0.5%	0.4%	2.8%	8	0.5%	21	24.4M	95.8M	No	6.7		Yes
Joint Stock Company National Company KazMunayGas	0.1%	0.0%	2.4%	9	0.5%	20	11.4M	61.8M	No	1.5	4.3	
OCCIDENTAL PETROLEUM CORPORATION	0.2%	0.0%	2.3%	10	0.9%	10	22.5M	217.0M	Yes	2.1	10.0	
TransAlta Corporation	0.0%		2.2%	11	1.0%	7	10.9M	4.0M	Yes	3.7	10.0	

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
5.5% / 6.2%	2.5% / 2.5%	1.0% / 1.1%	2.1% / 4.6%	18.1% / 22.2%	2.9% / 3.5%

Portfolio Alignment & Engagement

Engagement	Data Quality	LCT	ITR	SBT	Alignment
41.7%	2.2	40.5%	40.0%	39.9%	32.1%

Metrics and Targets *(continued)*

We analysed 5 fixed income portfolios totalling approximately £867.6 million, including one sovereign debt fund, accounting for £235.2 million, as of 31 March 2024.

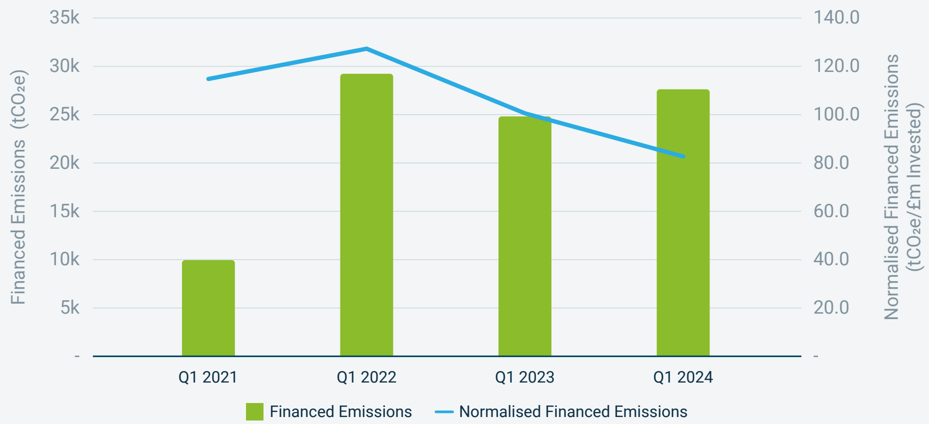
The reference indices we use to measure the fund's relative performances are as follows:

TABLE 11: REFERENCE INDICES

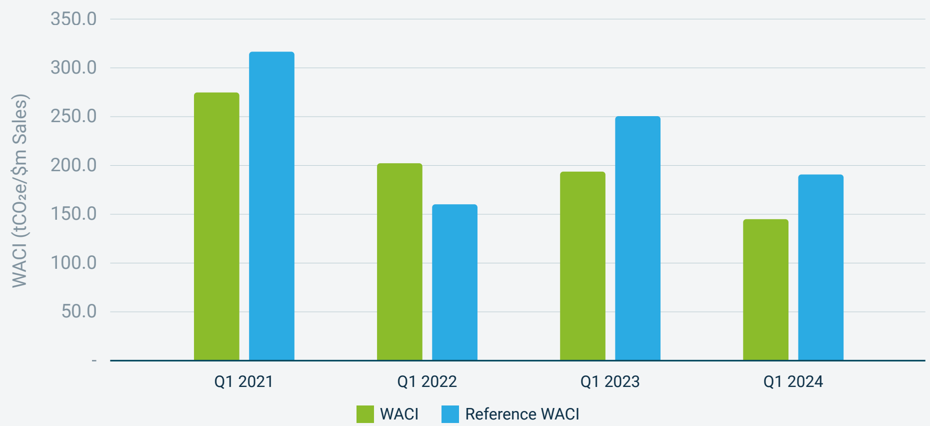
Fund	Reference Index
LGPS Central Multi Asset Credit Fund	N/A
LGPS Central Global Active Investment Grade Corporate Bond Fund	50% Global Investment Grade + 50% Sterling
LGPS Central Global Active Emerging Market Bond Fund	Emerging Market Bond Index
Aegon Short Date Climate Transition Fund	Global Corporate
Aegon Index Linked	UK Gilts

Carbon Footprint Metrics

GRAPH 4: FIXED INCOME FINANCED EMISSIONS OVER TIME*



GRAPH 5: FIXED INCOME WACI OVER TIME



As illustrated in the graphs above, since 2020 the Fund's fixed income portfolio's corporate bonds financed emissions have increased by 179.1%. This increase should be considered alongside a significant increase in NAV (increasing by 196.4%[25]) over the same period. Therefore, if financed emissions are normalised by millions of GBP invested, we find a general downward trajectory from 2021. The decrease in normalised financed emissions can be associated with a decreased exposure to carbon-intensive companies. This is demonstrated by the 46.9% decrease in WACI over the same period.

Notably, within the portfolio, the carbon-intensive Utilities sector, and the Financials sector which accounts for a significant proportion of the portfolio weight, both experienced a significant decrease in WACI of 48.12% and 46.14%, respectively. However, this was mitigated by the Energy and Materials sectors, which experienced increases in WACI of 3.5% and 17.3%, respectively.

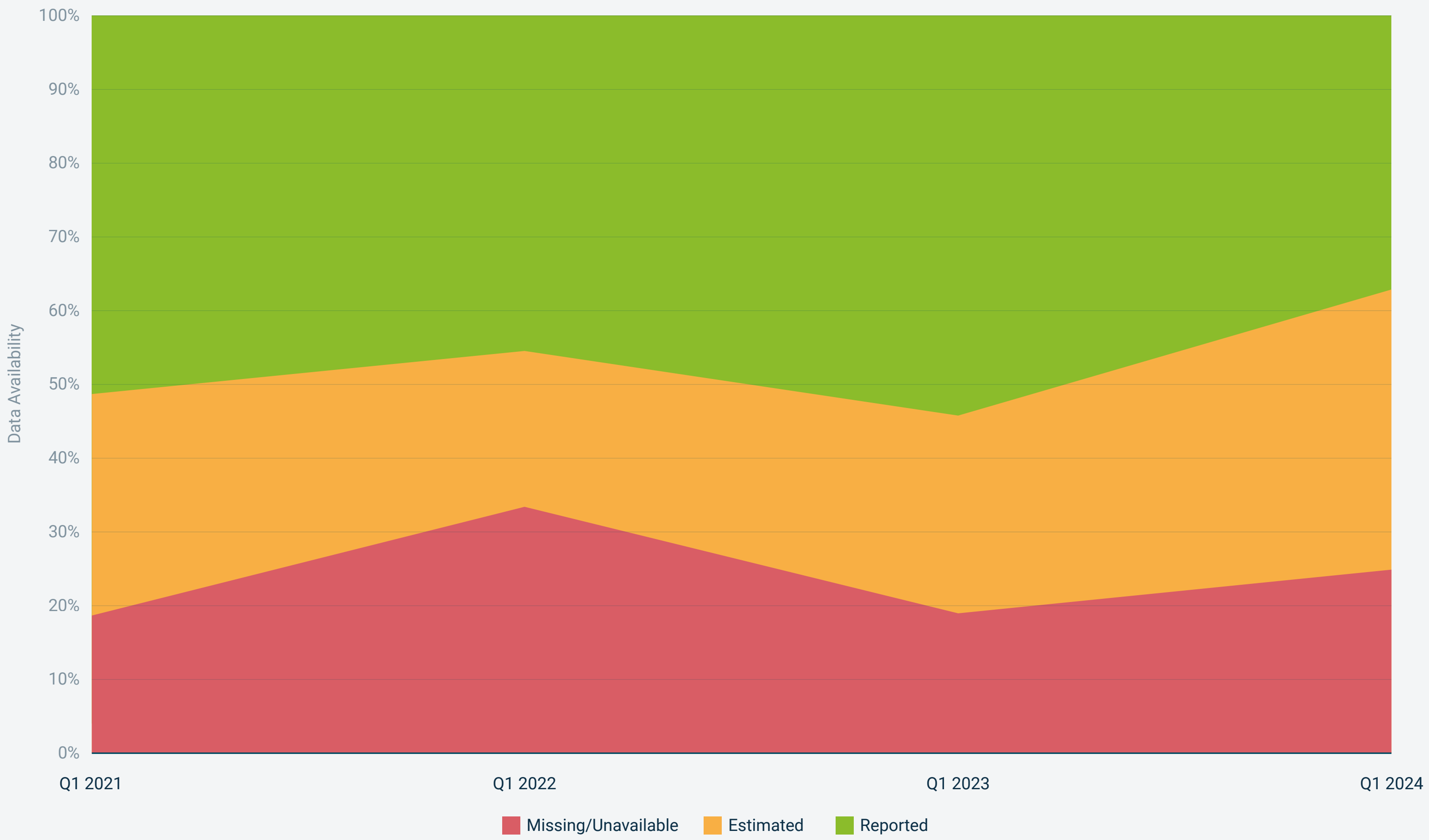
* Please note that for graph 4 reference financed emissions and reference normalised financed emissions have been excluded as these figures are skewed by significantly low data availiability in the emerging market debt portfolio.

[25] This value excludes the Fund's Gilt portfolio.

Metrics and Targets *(continued)*

Data

GRAPH 6: CORPORATE FIXED INCOME DATA AVAILABILITY OVER TIME



The graph above shows data availability for the Fund's fixed income investments which fall within the scope of analysis. It should be noted that the data in the graph is the availability as of Q1 2024 and is comprised of retrospective data reported at that date. It does not show data availability at each point in time over the previous years.

Data availability and data quality for fixed income assets have traditionally been notably lower than listed equity. However, there has been a significant improvement in data availability for the fixed income asset class over recent years.

Metrics and Targets *(continued)*

Sources of Emissions

FIGURE 5: CORPORATE FIXED INCOME: SCOPE 1 AND 2 FINANCED EMISSIONS BY SECTOR AND ENGAGEMENT COVERAGE

From a sector perspective, over a quarter (25.6%) of the portfolio's scope 1 and 2 financed emissions are attributable to the Energy sector, despite the sector accounting for just 4.3% of the portfolio's NAV.

Metrics and Targets *(continued)*

Lower levels of engagement relative to the Fund's equity holdings is reflective of the challenges facing engagers relating to the asset class. There is a lack of desire for companies to engage with their debtholders. High portfolio turnover exacerbates the problem as engagers cannot commit to a long-term engagement plan with a single issuer. Nevertheless, the expectation placed upon delegated managers is to perform ESG integration and stewardship. It is imperative that this metric improve over time as we believe that engagement can lead to improvements in carbon performance.

Next steps for the Fund to consider

- Continue to report on climate metrics in future years, incorporating new metrics as and when possible.
- Continue to work towards the achievement of the Fund's climate targets. In particular, the Fund should aim to increase the rate of engagement with high emitting companies which are not aligned to the goals of the Paris Agreement.


Farmland in Leicestershire

Appendix

Appendix 1:
Private Market Carbon Metrics

Please note that, due to the resource intensity and challenges involved in collecting private market data, we have focused our efforts on providing private market carbon footprint data for portfolios managed by LGPS Central. This represents a commitment of approximately £824.5 million.

The data shown below is a combination of reported and estimated data, where reported data is provided by the manager and sourced through a range of methods such as provided by the underlying portfolio company or estimated by the manager. As we believe reported data will be most accurate, this data is preferred over estimated. Estimated data is utilised where reported data is unavailable.

It should also be noted that there are often large discrepancies between estimated and reported data. The estimation process focuses on company size, revenue and sector, and is unable to capture the nuances of company operations which can be provided by reported data. However, we believe the use of estimated data still provides a valuable insight into the carbon footprint of portfolio companies. We expect the proportion of reported data to increase as we work with managers to pursue greater disclosures.


Leicestershire Countryside

Appendix *(continued)*

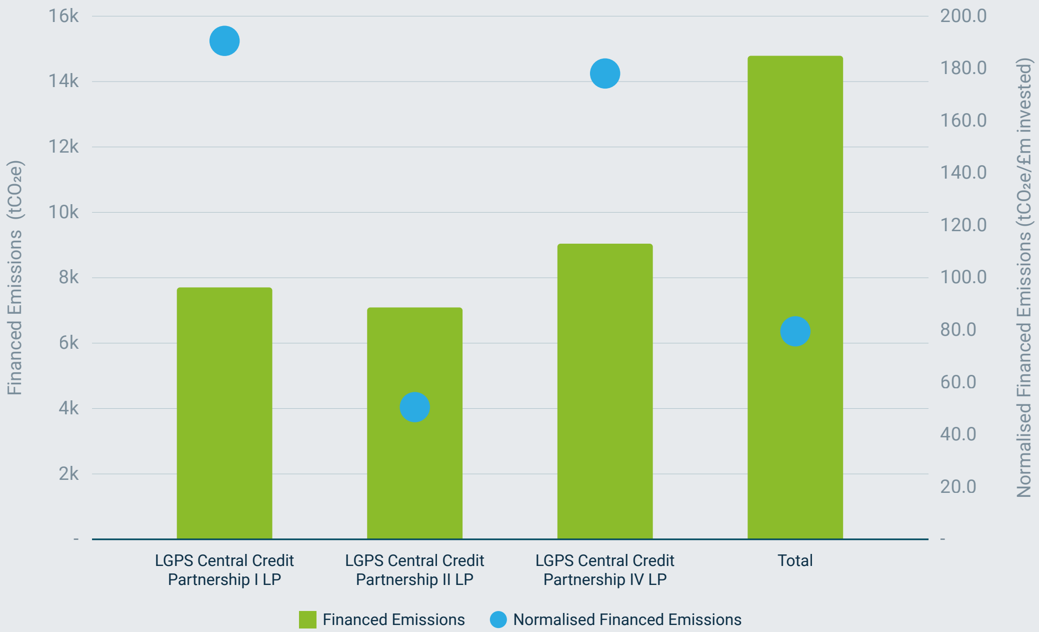
Private Equities

GRAPH 7: LGPS CENTRAL MANAGED PRIVATE EQUITIES FINANCED EMISSIONS

	PE Primary Partnership 2018 LP	PE Primary Partnership 2021 LP	Total
Financed Emissions (Scope 1&2)	572	163	**735**
Normalised Financed Emissions (Scope 1&2)	55.8	19.6	**40.1**
Financed Emissions (Scope 3)	1,544	1,349	**2,893**
Normalised Financed Emissions (Scope 3)	152.9	189.4	**168.7**
Proportion of Reported Data (Financed Emissions Scope 1&2)	43.6%	32.4%	**38.7%**
Proportion of Estimated Data (Financed Emissions Scope 1&2)	56.4%	67.6%	**61.3%**

Private Credit

GRAPH 8: LGPS CENTRAL MANAGED PRIVATE CREDIT FINANCED EMISSIONS

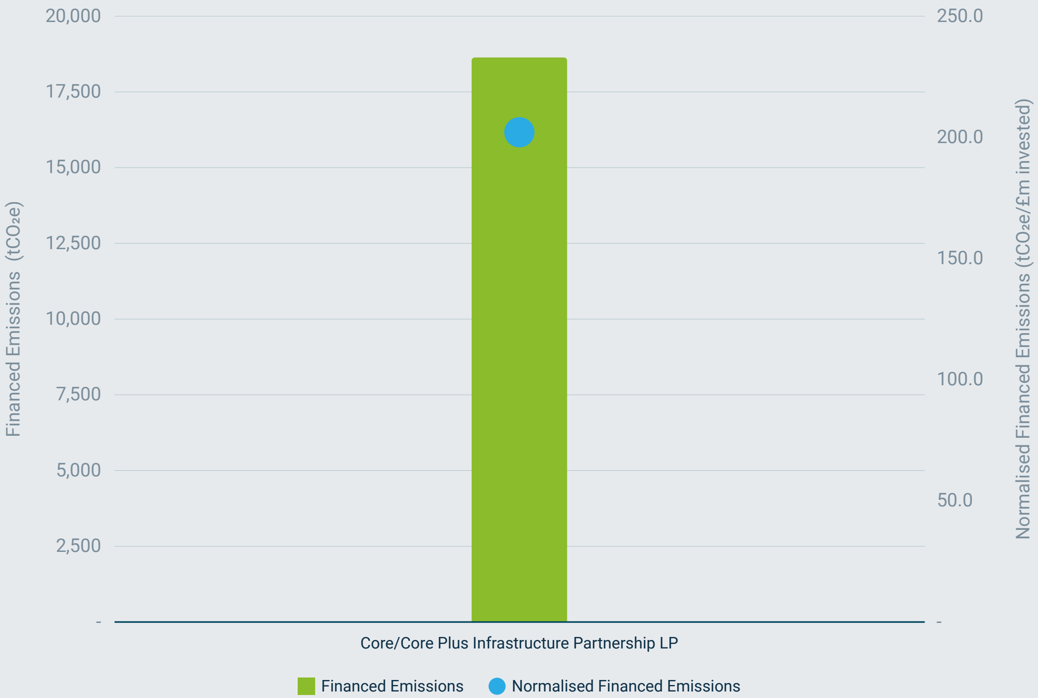


	LGPS Central Credit Partnership I LP	LGPS Central Credit Partnership II LP	LGPS Central Credit Partnership IV LP	Total
Financed Emissions (Scope 1&2)	7,686	7,082	9,030	**14,768**
Normalised Financed Emissions (Scope 1&2)	190.4	50.8	177.8	**79.6**
Financed Emissions (Scope 3)	62,759	60,621	12,245	**123,380**
Normalised Financed Emissions (Scope 3)	1,563.0	435.1	241.2	**659.6**
Proportion of Reported Data (Financed Emissions Scope 1&2)	4.2%	16.9%	0.0%	**7.1%**
Proportion of Estimated Data (Financed Emissions Scope 1&2)	95.8%	83.1%	100.0%	**92.9%**

Appendix *(continued)*

Infrastructure

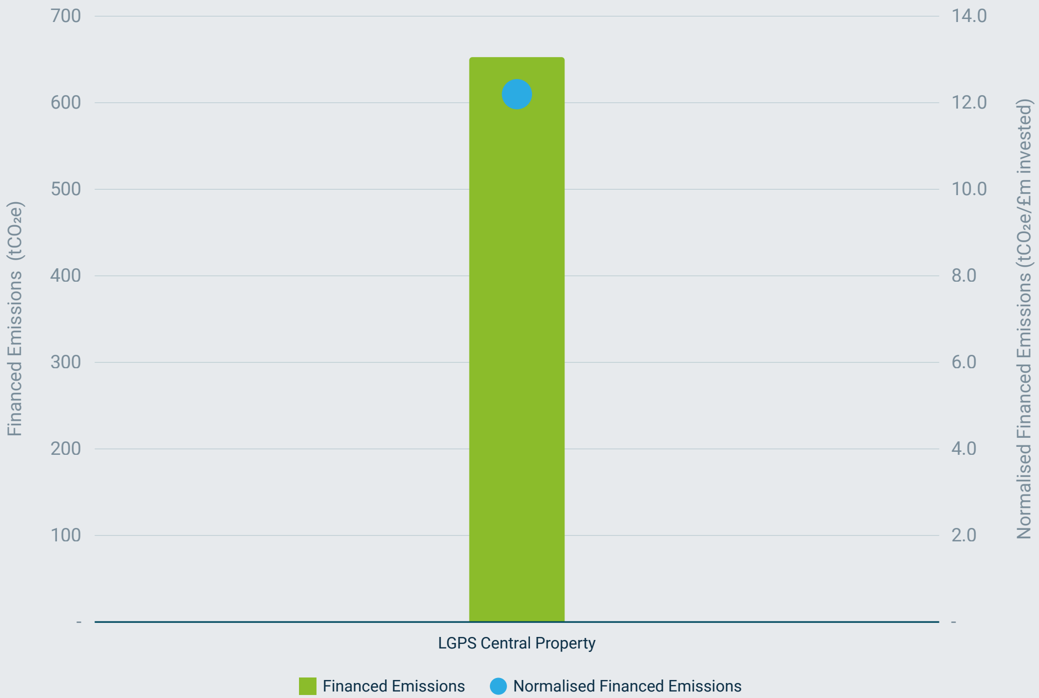
GRAPH 9: LGPS CENTRAL MANAGED INFRASTRUCTURE FINANCED EMISSIONS



	Core/Core Plus Infrastructure Partnership LP
Financed Emissions (Scope 1&2)	18,646
Normalised Financed Emissions (Scope 1&2)	202.5
Financed Emissions (Scope 3)	14,463
Normalised Financed Emissions (Scope 3)	188.1
Proportion of Reported Data (Financed Emissions Scope 1&2)	19.4%
Proportion of Estimated Data (Financed Emissions Scope 1&2)	80.6%

Property

GRAPH 10: LGPS CENTRAL MANAGED PROPERTY FINANCED EMISSIONS



	LGPS Central Property
Financed Emissions (Scope 1&2)	652
Normalised Financed Emissions (Scope 1&2)	12.2
Proportion of Reported Data (Financed Emissions Scope 1&2)	100.0%

LGPS Central Limited