



SPF Climate Risk Report 2022

LGPS Central Limited

PRESENTED BY



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31st March 2023

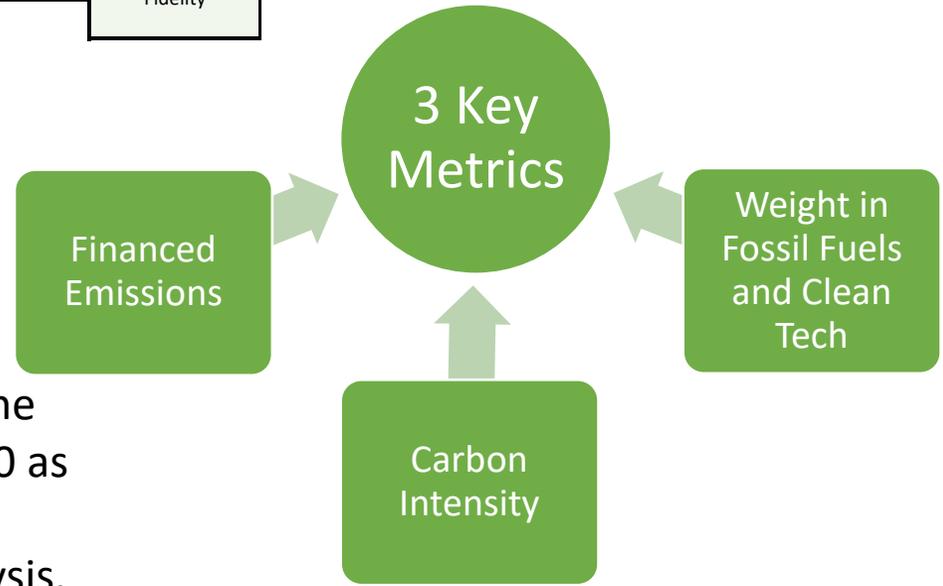
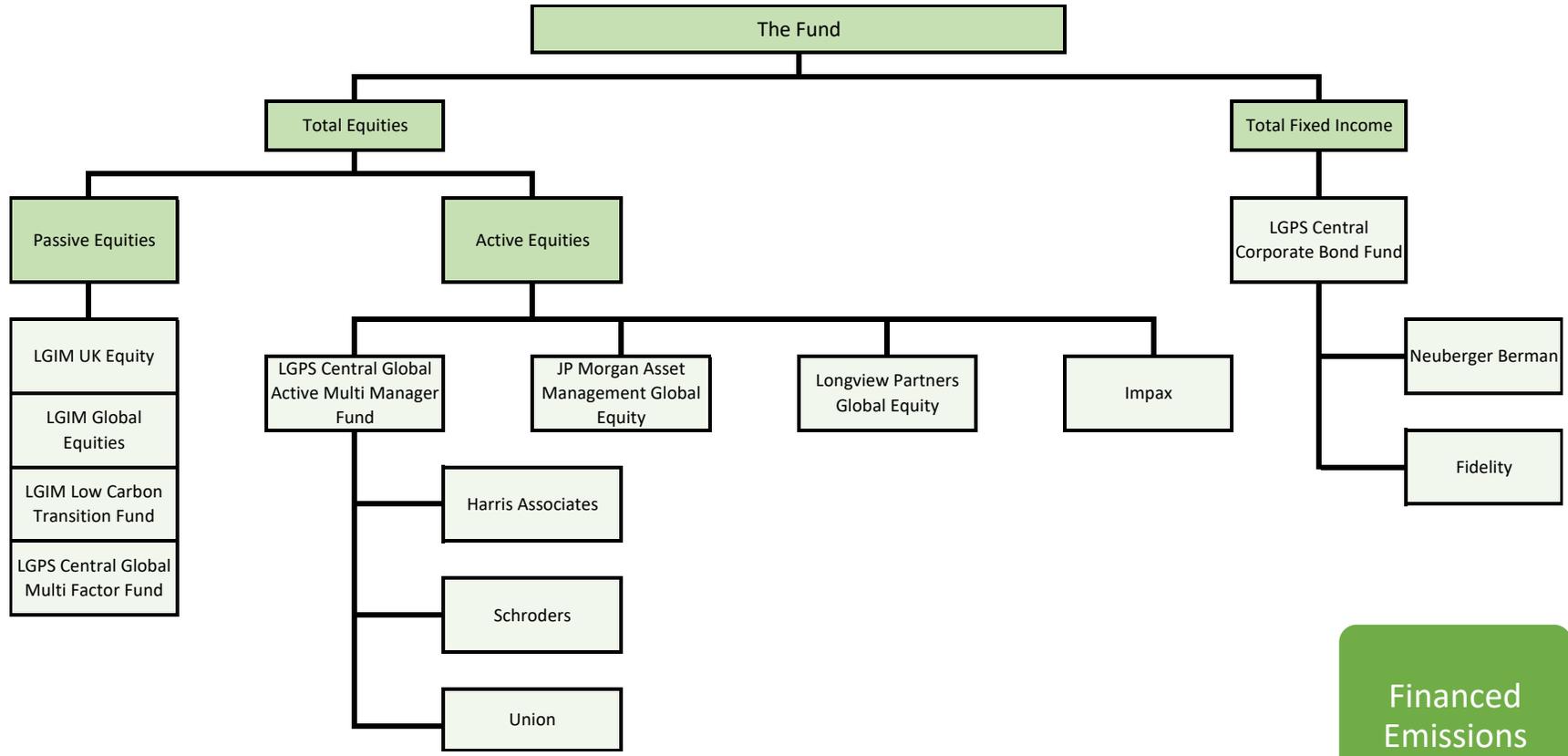
Purpose of the Presentation



- To support the 2023 Climate Risk Report, which:
 - assesses the Fund's exposure to climate-related risks and opportunities
 - allows the Fund to identify further means to manage its material climate risks
- To highlight the report's key findings
- To provide an overview of the Fund's progress in managing climate risk

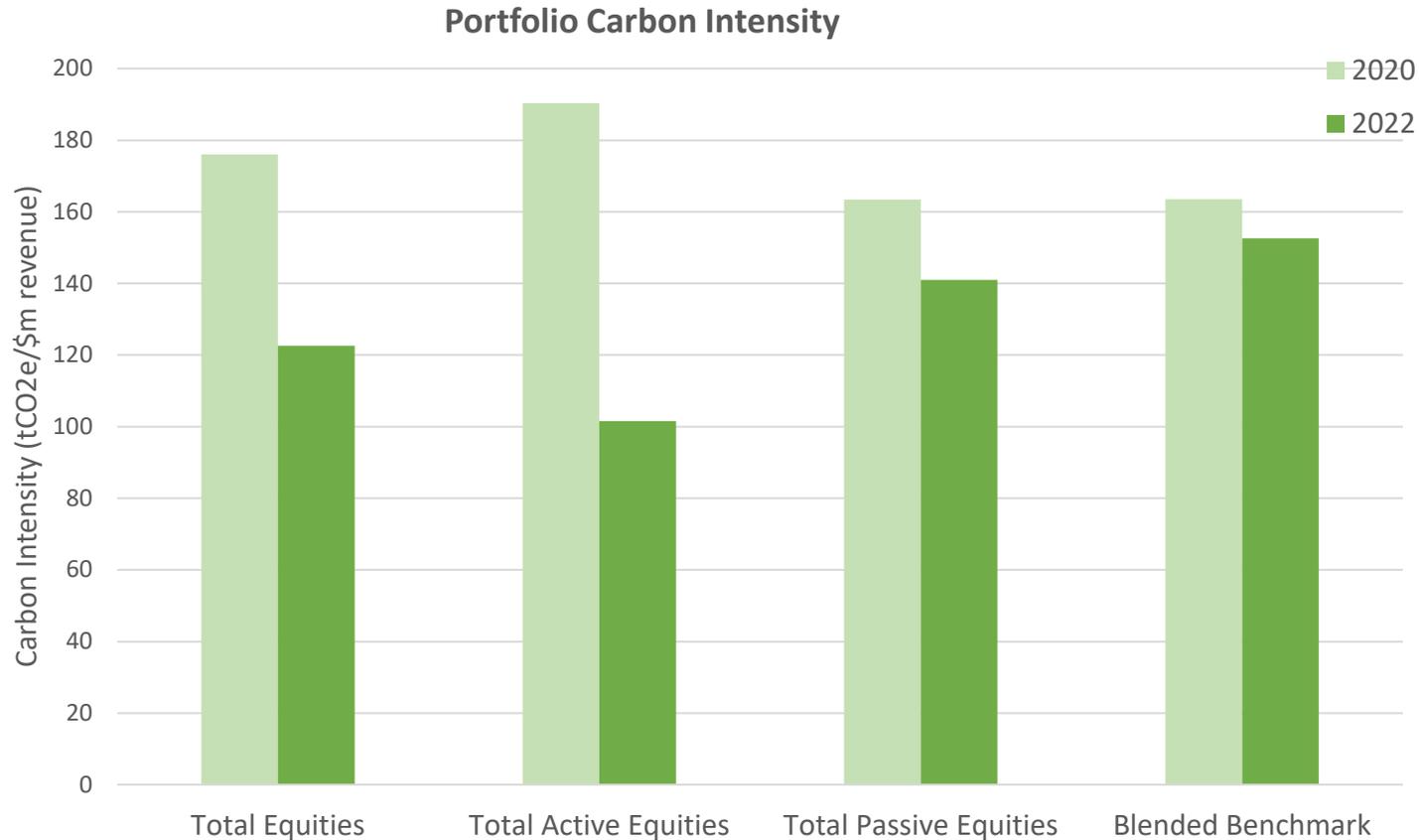


Staffordshire Pension Fund: Holdings, Metrics & Analysis



- Analysis examines the Total Equities and Fixed Income portfolios as of the 30th of September 2022 using the portfolios as of the 31st of March 2020 as a baseline.
- This presentation will focus on the findings from the Total Equities analysis.

Carbon Intensity



- The carbon intensity of the Fund's Total Equities decreased by 30.5% between 2020 and 2022.
- The Total Equities portfolio is now 19.6% more carbon efficient than the blended benchmark.
- This improvement is associated with the portfolio changes made between 2020 and 2022, as well as the significant decrease in carbon intensity of the Active Equities portfolio.

Financed Emissions



Portfolio Financed Emissions

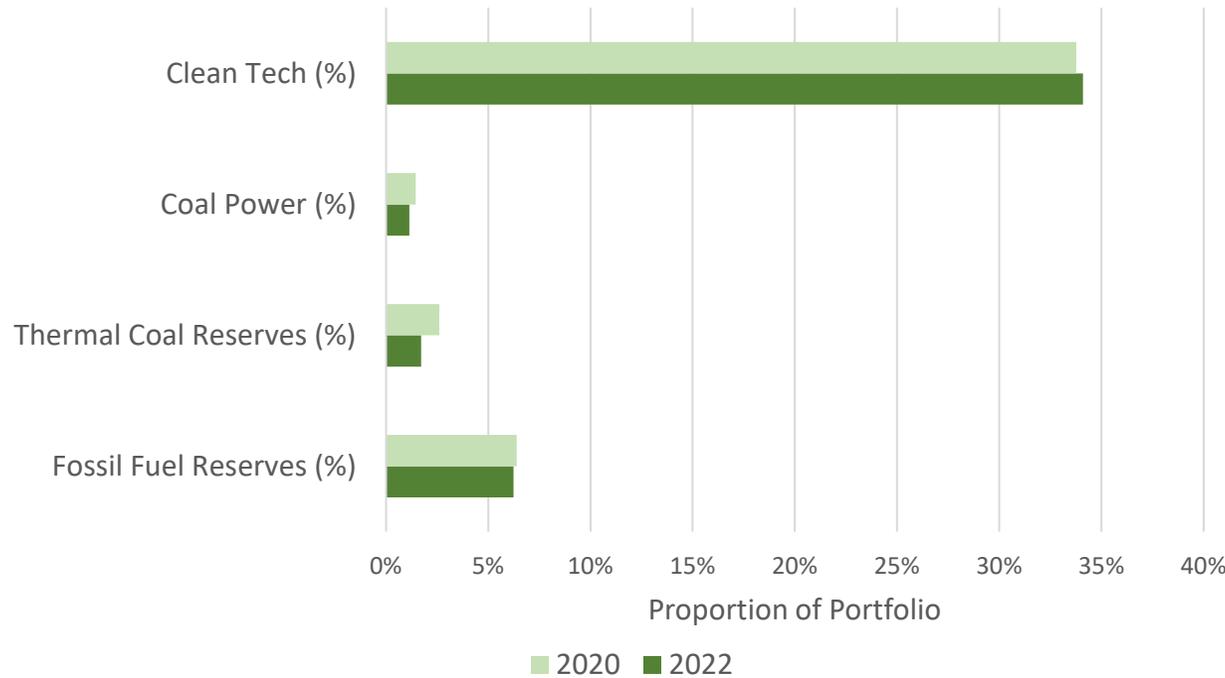


- The financed emissions of the Total Equities portfolio decreased by 6.1%, despite AUM increasing by 41.8%.
- This decrease is again driven by the changes made to the portfolio between 2020 and 2022 as well as the significant decrease in the Active Equities carbon intensity.

Weight in Clean Tech and Fossil Fuel Reserves



Portfolio Weight in Clean Tech and Fossil Fuel Reserves



- The Total Equities portfolio exposure to coal power, thermal coal reserves and fossil fuel reserves decreased by 0.7%, 0.6% and 2.3%.
- The portfolio’s exposure to clean technology increased by 0.3%.

Net Zero Pledges	2022
Proportion of Total Equities	61.6%
Proportion of Companies in Material Sectors	64.6%
Proportion Financed Emissions	76.2%

N.B. The Net Zero Pledge is sourced from three data sources, MSCI, CA100+ and CDP.

Top 5 Contributors

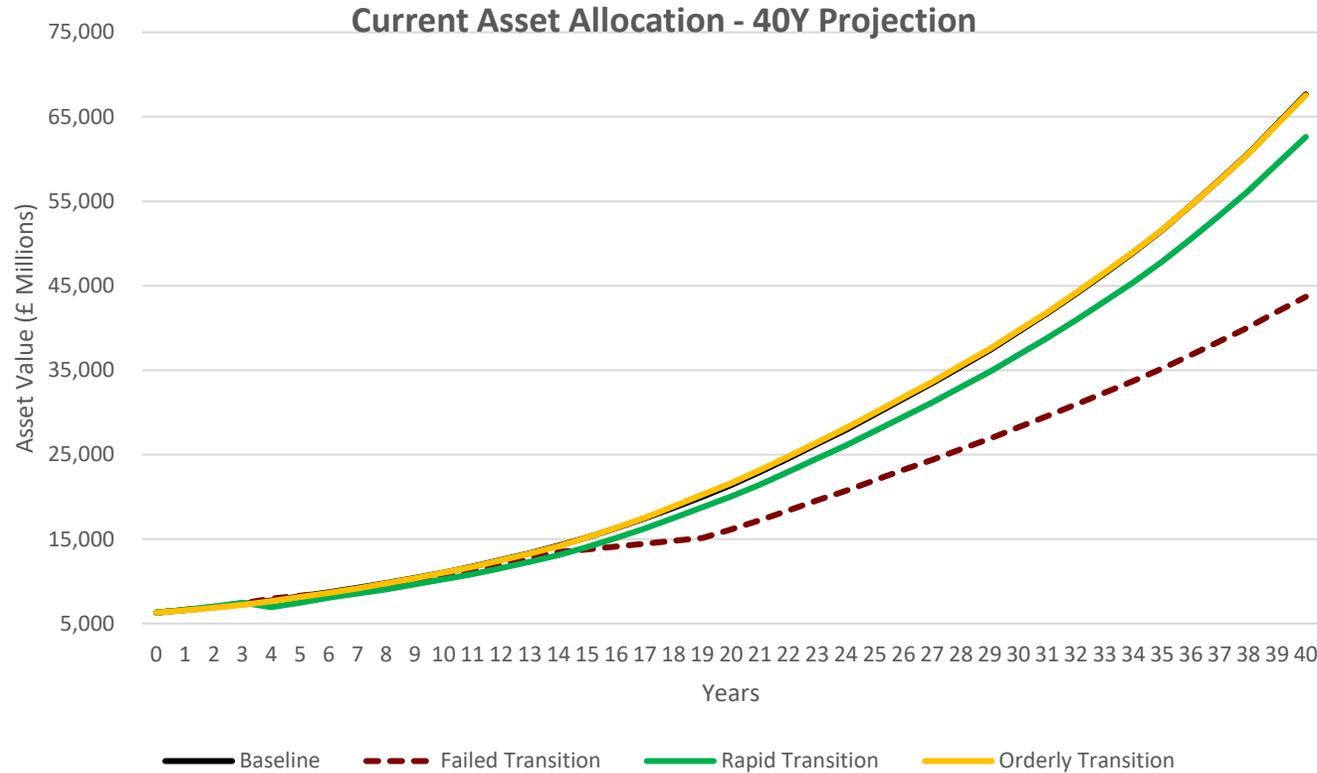


Company	Portfolio Weight	Contribution to Portfolio Carbon Footprint
Nextera Energy	0.34%	6.78%
Linde	0.58%	6.39%
RWE	0.18%	4.85%
Holcim	0.10%	3.42%
Shell	0.92%	2.89%

Company	Portfolio Weight	Contribution to Portfolio Financed Emissions
RWE	0.18%	11.13%
Shell	0.92%	7.46%
Holcim	0.10%	4.97%
Exxon Mobil	0.38%	2.86%
CRH	0.19%	2.83%

- Four of the top five contributors to the portfolio's carbon intensity are currently in the Climate Stewardship Plan.
- Three of the top five contributors to the portfolio's financed emissions are currently in the Climate Stewardship Plan.
- RWE is not currently included, but is a recommended new addition to the plan as it is a top five contributor to both the total equities carbon intensity and financed emissions.

Climate Scenario Analysis



Key Conclusion One: A successful transition is imperative

Key Conclusion Two: Sustainable allocations protect against transition risk, Growth Assets are highly vulnerable to physical risk

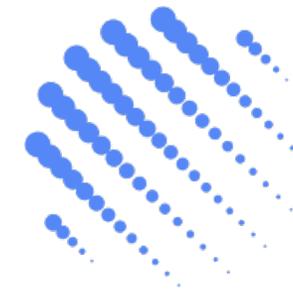
Key Conclusion Three: Monitor sector and regional exposures

Key Conclusion Four: Be aware of future pricing shocks

Climate Stewardship Plan



- During June 2021, Staffordshire Pension Fund published their first Climate Stewardship plan.
- The Plan identifies areas in which stewardship techniques can be leveraged to further understand and manage climate risk
- The Plan identifies a focus list of companies for prioritised engagement
- These companies are engaged by the Fund's portfolio managers including LGPS Central through EOS and Climate Action 100+ on behalf of the Fund



Transition
Pathway
Initiative



Climate Stewardship Plan



Company	Sector	CA100+	Strategy	Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
BP	Energy		Direct engagement by LGIM, CA100+ collaborative engagement, and engagement through EOS	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative To duly account for climate risks in financial reporting 	4*	Not Aligned	National Pledges	1.5 Degrees
CRH	Materials		Engagement by LGIM and CA100+ collaborative engagement with EOS as co-lead	<ul style="list-style-type: none"> Improved disclosure around its membership and involvement in trade associations engaged in climate issues More robust reporting of Scope 1, 2 and 3 emissions Increased development of activities focusing on low-carbon cement solutions 	4	Below 2 Degrees	1.5 Degrees	1.5 Degrees
Glencore	Materials		Engagement by LGPSC as co-lead for the CA100+ Glencore Focus group. Engagement by LGIM.	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ benchmark. 	4	1.5 Degrees	Below 2 Degrees	National Pledges
Holcim	Materials		Collaborative engagement by the CA100+ focus group and through the Pairs-aligned financial accounting investor initiative.	<ul style="list-style-type: none"> Paris-aligned accounts in line with Institutional Investor Group on Climate Change's (IIGCC) investor expectations Achievement of the high-level objectives of the CA100+ initiative 	4	Below 2 Degrees	Below 2 Degrees	1.5 Degrees

■ No Criteria Met
 ■ Some Criteria Met
 ■ All Criteria Met
 ■ Not Assessed



Climate Stewardship Plan



Company	Sector	CA100+	Strategy	Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
Linde	Chemicals	N/A	Engagement by LGIM and collaborative engagement with EOS as co-lead	<ul style="list-style-type: none"> Improve transparency on company's chemical production disclosure. Take a leadership role in phasing out the most persistent chemicals and publish a time-bound commitment to do so 	3	N/A	N/A	N/A
NextEra	Energy		CA100+ collaborative engagement with LGPSC in the focus group	<ul style="list-style-type: none"> Net Zero GHG emissions by 2050 or sooner ambition Capital allocation alignment with the Paris Agreement Commitment to clear medium- and long-term GHG reduction targets 	3	1.5 Degrees	National Pledges	National Pledges
Rio Tinto	Mining		Direct engagement by LGIM and collaborative engagement by CA100+	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative 	4	Paris Pledges	Paris Pledges	Below 2 Degrees

■ No Criteria Met ■ Some Criteria Met ■ All Criteria Met ■ Not Assessed

N.B. "Climate Action 100+ engagement focuses on 166 companies that are critical to the net-zero emissions transition."

"TPI selects sectors based primarily on their contribution to global greenhouse gas emissions and therefore climate change. Within each sector, we focus on the largest public companies by market value".

Due to the methodologies of Climate Action 100+ and TPI, Linde is not included/assessed by Climate Action 100+ or TPI's Carbon Performance.



Climate Stewardship Plan



Company	Sector	CA100+	Strategy	Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
Shell	Energy		Engagement by LGIM, CA100+ collaborative engagement with LGPSC involved in the focus group	<ul style="list-style-type: none"> To set and publish targets that are aligned with the goal of the Paris Agreement To fully reflect its net-zero ambition in its operational plans and budgets To set a transparent strategy for achieving net-zero emissions by 2050 	4	Not Aligned	Below 2 Degrees	1.5 Degrees
The Southern Company	Energy		CA100+ collaborative engagement and direct engagement by EOS	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework 	3	Not Aligned	Not Aligned	Below 2 Degrees
RWE	Energy		Direct engagement by LGIM, collaborative engagement by CA100+ and engagement through EOS	<ul style="list-style-type: none"> Achievement of the high-level objectives of the CA100+ initiative Improve the ambition of short term and medium term targets to be 1.5 degree aligned 	3	Not Aligned	National Pledges	1.5 Degrees

■ No Criteria Met ■ Some Criteria Met ■ All Criteria Met ■ Not Assessed

N.B. RWE is a new addition to the CSP following the recommendation to include the company in the Climate Risk Review.

Conclusions



Key Recommendations for SPF

The Fund has made significant progress in its responsible investment and climate change practice

- Continue with the development of the net zero strategy
- Continue to report against the TCFD Recommendations
- Work with fund managers to understand how they are assessing, monitoring and mitigating key climate change risks
- Repeat the Carbon Risk Metrics annually and the Climate Scenario Analysis every 2-3 years

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