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SCPF Climate Risk Report 2022

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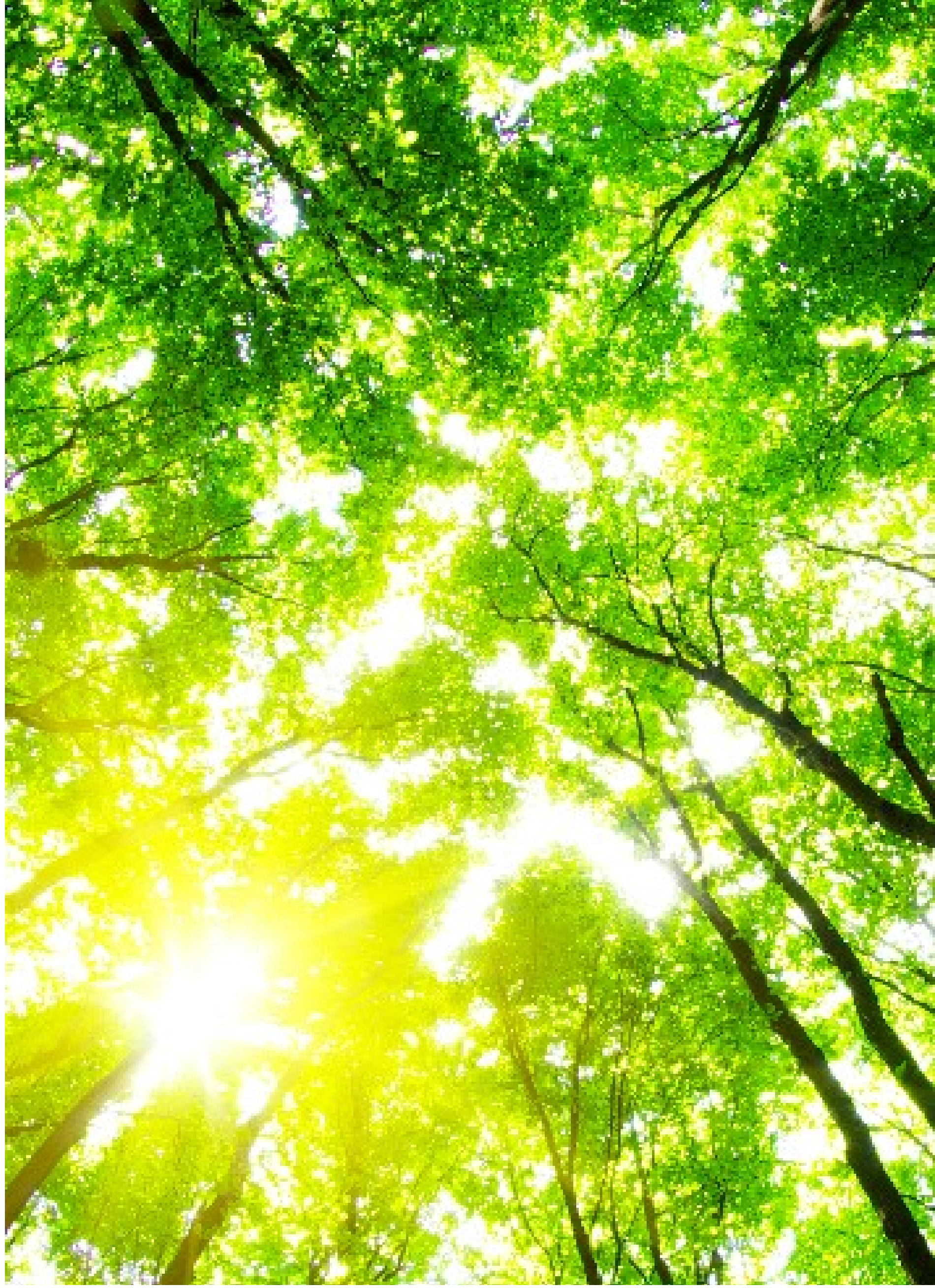

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2nd December 2022

Purpose of the Presentation

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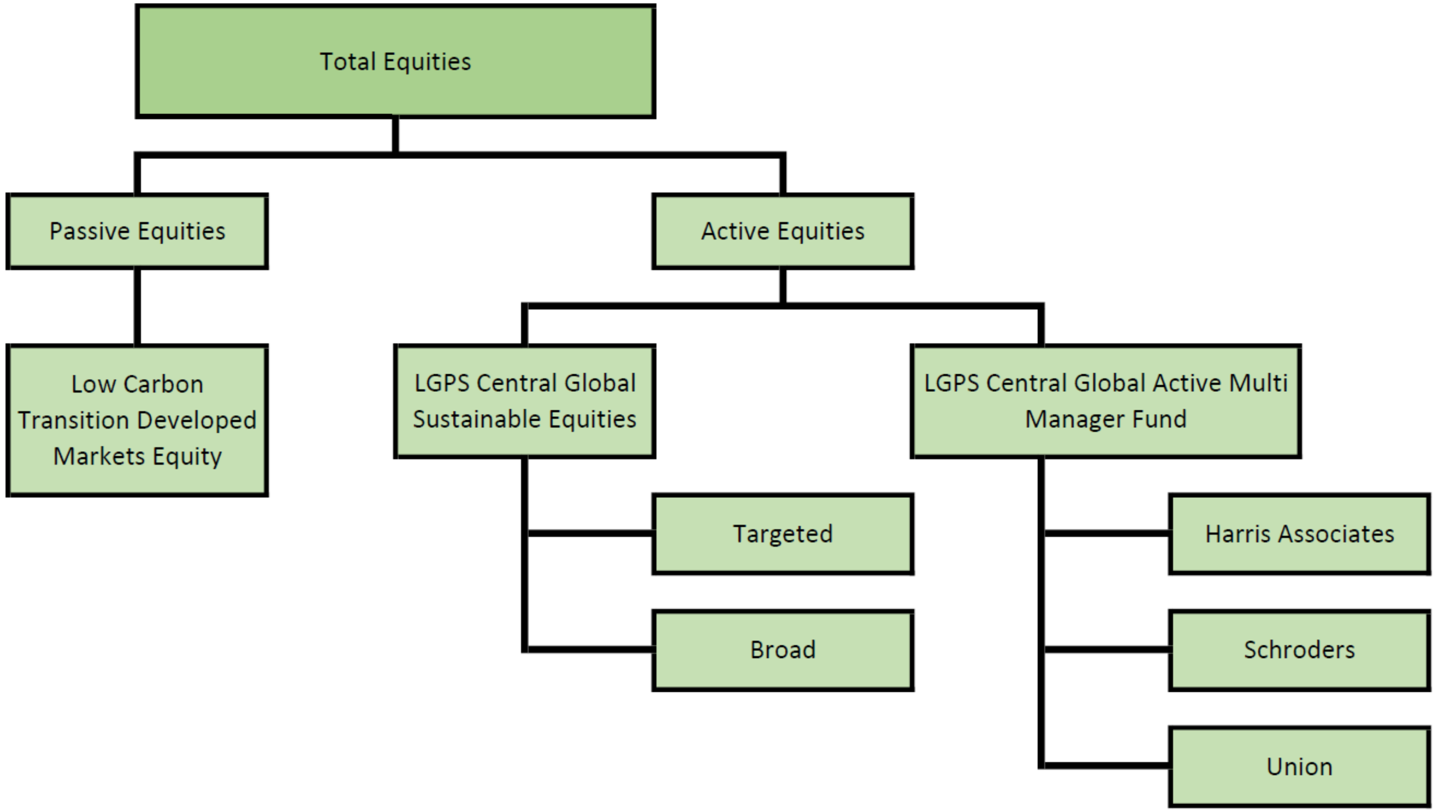
- To support the recent publication of the 2022 Climate Risk Report, which:
    - assesses the Fund's exposure to climate-related risks and opportunities
    - allows the Fund to identify further means to manage its material climate risks
- To highlight the report's key findings
- To provide an overview of the Fund's progress in managing climate risk

Shropshire County Pension Fund

Portfolio Carbon Intensity

Exposure to Clean Tech and Fossil Fuel Reserves

Financed Emissions



Carbon Intensity

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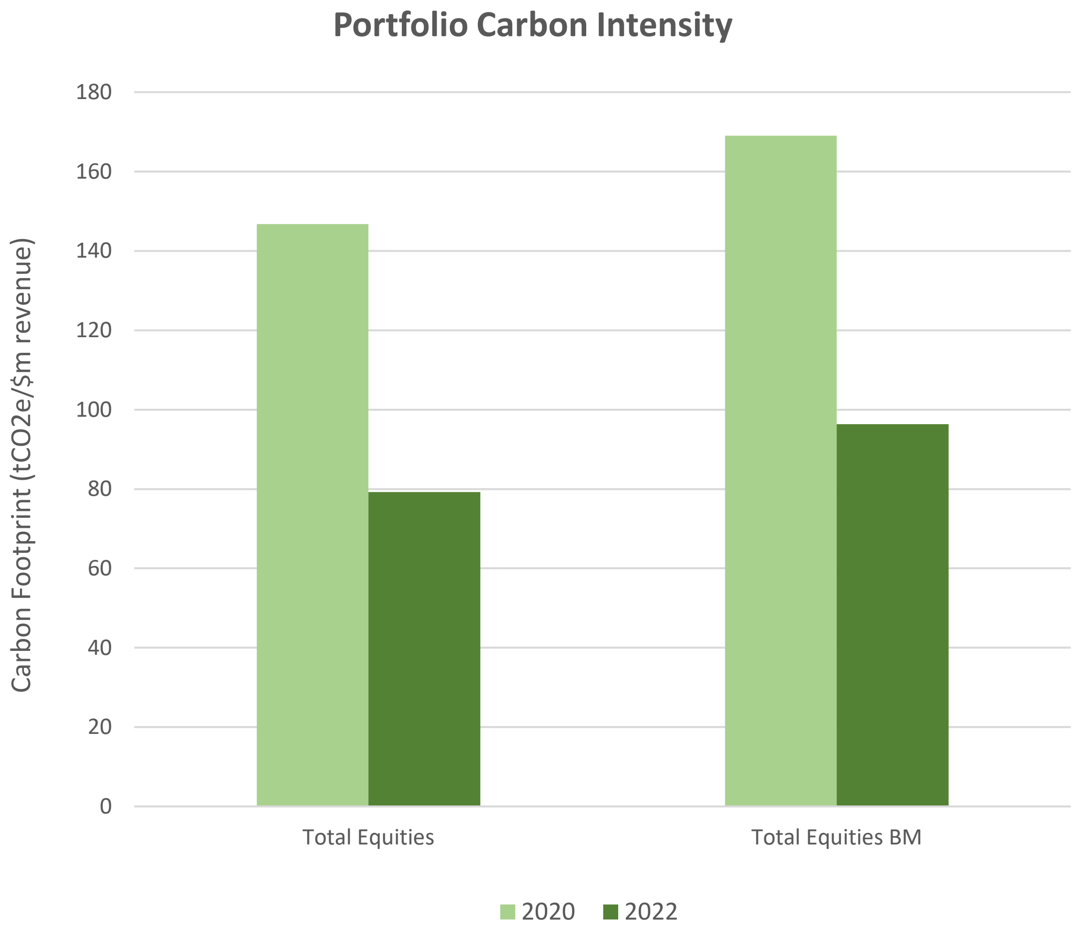
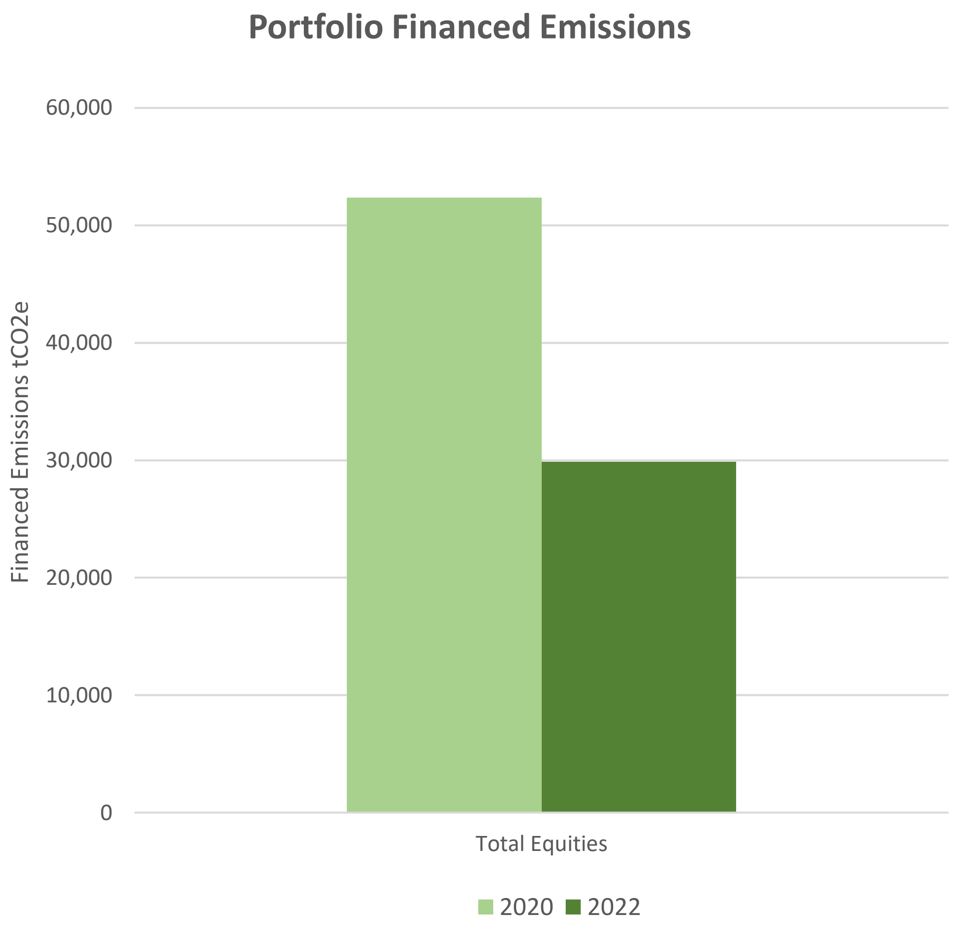


- The Committee’s decision to shift assets to the Global Sustainable Equities fund and the Low Carbon Transition fund drove a 46% decrease in carbon intensity between 2020 and 2022
- Total Equities also had a lower carbon intensity than the blended benchmark in both years

Financed Emissions



- Financed emissions in the portfolio fell by 43% between 2020 and 2022

- As with the carbon footprint, this was driven by the Committee's changes to the asset allocation

Top 5 Contributors

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Company	Portfolio Weight	Contribution to Portfolio Carbon Footprint
NextEra Energy	0.43%	13.18%
Holcim	0.19%	10.12%
Linde	0.45%	7.70%
RWE	0.18%	7.27%
CF Industries	0.13%	4.20%

Company	Portfolio Weight	Contribution to Portfolio Financed Emissions
RWE	0.17%	19.41%
Holcim	0.18%	17.14%
CRH	0.24%	6.29%
CF Industries	0.12%	3.89%
Glencore	0.24%	3.46%

- Two of the Top 5 contributors to the portfolio's Carbon Footprint are currently in the Climate Stewardship Plan
- Two of the Top 5 contributors to Financed Emissions are currently in the Climate Stewardship Plan
- Those contributors which are not in the Climate Stewardship Plan have been recommended as additions going forwards

Weight in Clean Tech and Fossil Fuel Reserves

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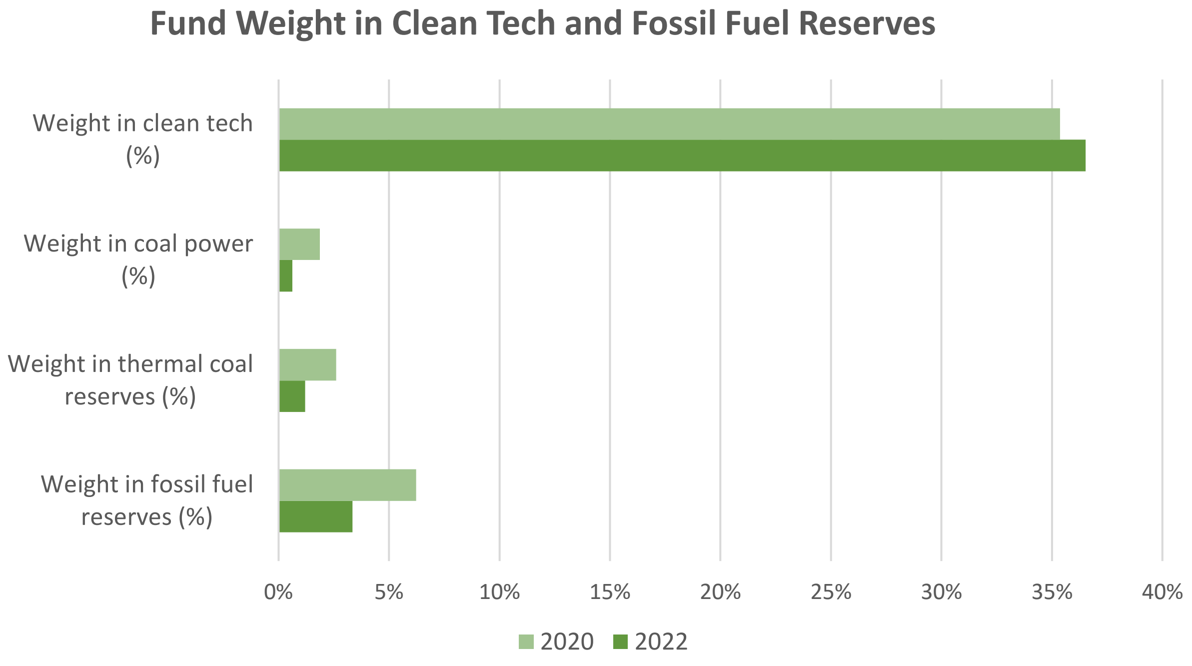

Net Zero Pledges	2022
Proportion of Total Equities	50.70%
Proportion of Companies in Material Sectors	53.87%
Proportion Financed Emissions	79.03%

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

Asset allocation decisions have generated:

- a 50% decrease in the Fund’s weight in fossil fuel reserves
- an increase in the Fund’s weight in companies associated with Clean Technology

Furthermore:

- 50.7% of companies have Net Zero targets
- 79% of financed emissions came from companies with Net Zero targets

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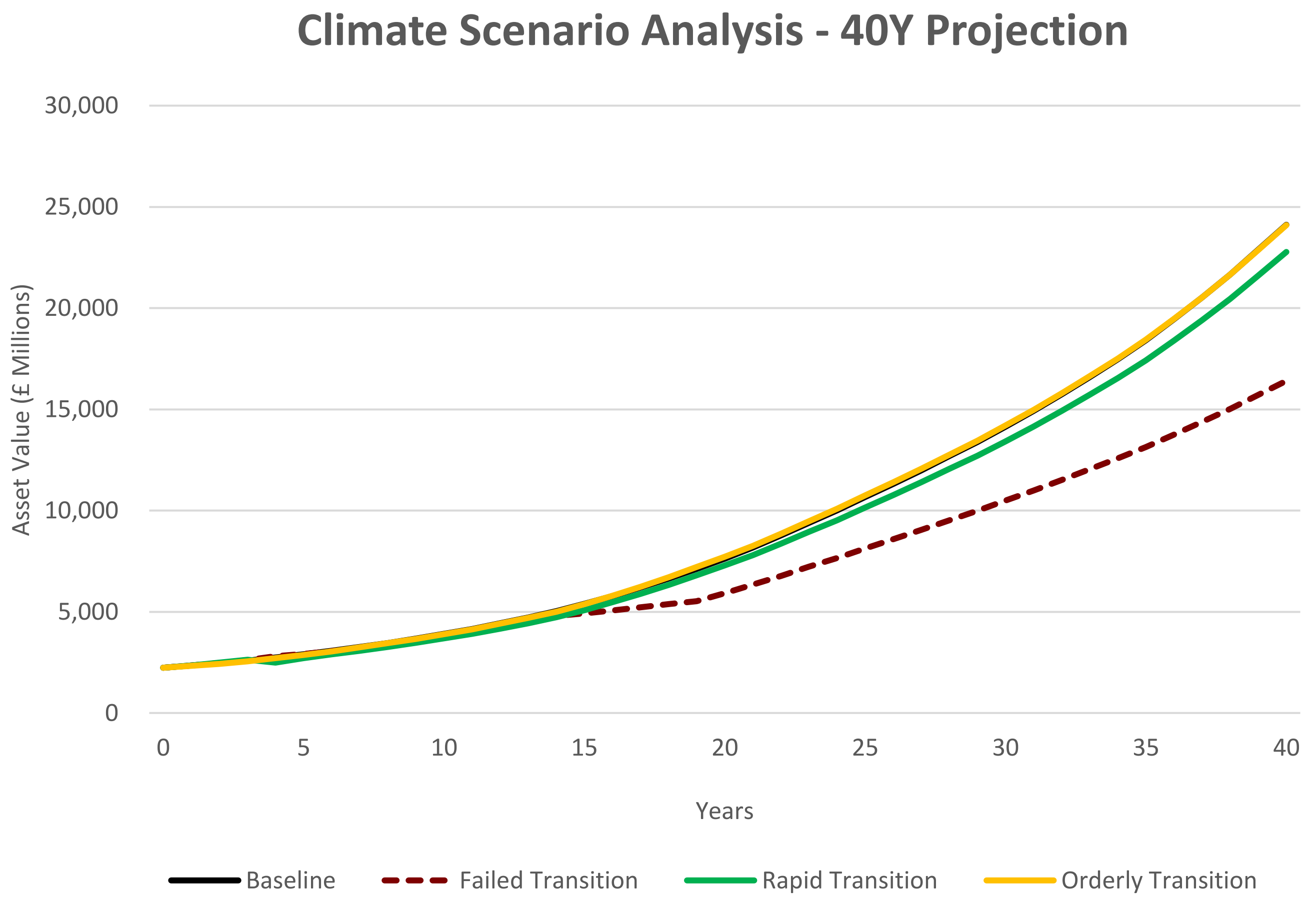
Climate Scenario Analysis



Key Conclusion One: A successful transition is imperative to ensure the maximisation of asset performance

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

- Developed by Shropshire County Pension Fund based on the findings of its previous Climate Risk Reports
- 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 and suppliers on behalf of the Fund

Climate Stewardship Plan

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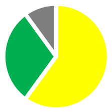
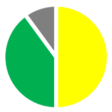
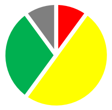
Company	Sector	CA100+	Strategy	Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
BP	Energy		CA100+ collaborative engagement with EOS as co-lead	• Achievements of the high level objectives of the CA100+ initiative • Duly account for climate risks in financial reporting	4*	Not Aligned	Not Aligned	Not Aligned
Glencore	Materials		Engagement by LGPSC as co-lead for the CA100+ Glencore Focus Group.	• Achievements 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	Cement		Collaborative engagement by the CA100+ Focus Group and through Paris-aligned financial accounting investor initiative.	• Paris-aligned accounts in line with IIGCC's 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

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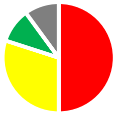
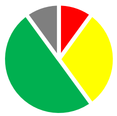
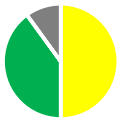
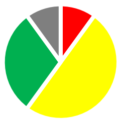
Climate Stewardship Plan

Company	Sector	CA100+	Strategy	Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
NextEra	Energy		CA100+ collaborative engagement with LGPSC in the focus group	• 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	4*	Not Aligned	Not Aligned	Not Aligned
RyanAir	Airlines	N/A	Direct engagement by Baillie Gifford	• Discussing the progress of the company's decarbonisation strategy	4	1.5 Degrees	Below 2 Degrees	National Pledges
Shell	Energy		CA100+ collaborative engagement with LGPSC involved in the focus group	• To set and publish targets which are Paris-aligned. • To fully reflect its Net Zero ambition in its operational plans and budgets. • To set a transparent strategy on achieving net zero by 2050.	4	Below 2 Degrees	Below 2 Degrees	1.5 Degrees

No Criteria Met   Some Criteria Met   All Criteria Met   Not Assessed

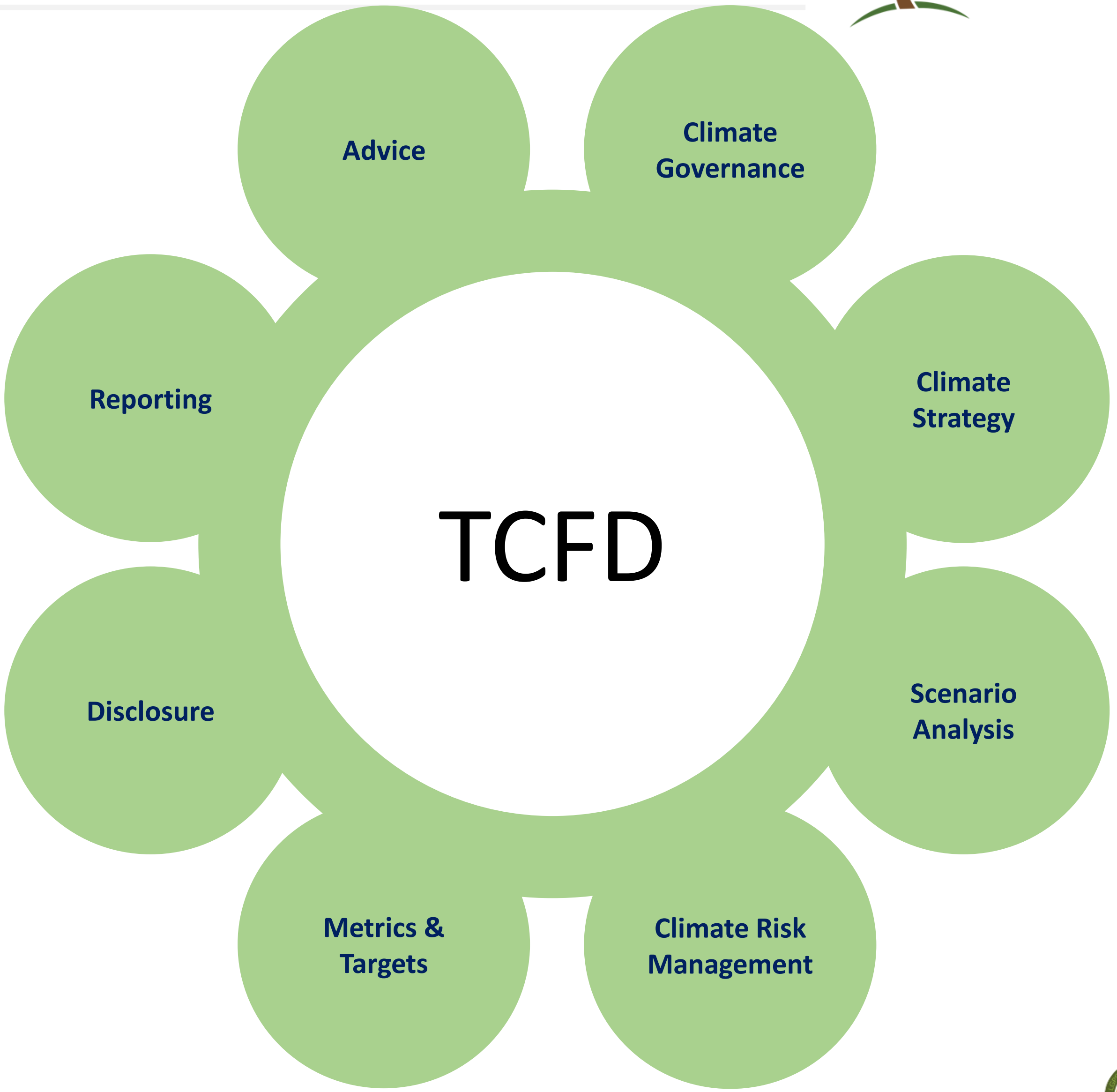
Climate Stewardship Plan: Proposed Additions

Company	Sector	CA100+	Proposed Strategy	Proposed Engagement Objectives	TPI Management Quality	TPI Carbon Performance		
						To 2025	To 2035	To 2050
RWE	Energy		CA100+ collaborative engagement with EOS as co-lead	• Align short- and medium- term GHG reduction targets with 1.5 degree scenario • Align future capex with the goals of the Paris Agreement	3	Not Aligned	National Pledges	1.5 Degrees
CRH Plc.	Materials		CA100+ collaborative engagement with EOS as co-lead	• 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
Linde	Materials	N/A	Direct engagement by LGIM	• Set transparent strategy on achieving net zero by 2050.	3	N/A	N/A	N/A
CF Industries	Chemicals	N/A	Direct engagement by Union	• Set transparent strategy on achieving net zero by 2050.	3	N/A	N/A	N/A

No Criteria Met Some Criteria Met All Criteria Met Not Assessed

TCFD Consultation – Department for Levelling Up

- Consultation closed 24th November
- New regulations will enter into force Q4 2024
- Consultation response was submitted by LGPS Central and shared with Partner Funds for comment
- Consultation response was also submitted by Shropshire



Conclusions

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The Fund already has good practice in place in terms of responsible investment and climate change

Key Recommendations for SCPF

- Consider updating the Climate Stewardship Plan following the changes to the portfolio
- 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 Climate Scenario Analysis every 2-3 years

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All information is prepared as of 10th November 2022.

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