LGPS Central Limited

2026 Climate Risk Management Report

Presented by LGPS Central Limited

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SCPF Climate Timeline

2020 — First Climate Risk and TCFD report.

2021 — Introduction of Climate Stewardship Plan, and adoption of Climate Change Strategy.

2022 — Fund investment of c.£100mn in LGPSC Global Sustainable Equity Strategy.

2023 — Fund reported a 46% reduction in financed emissions and 59% reduction in WACI relative to 2020 baseline.

2024 — The Fund updated its Climate Change strategy, including interim milestones towards its net-zero commitment.

2025 — Climate scenario analysis formed part of the 2025 actuarial valuation, strengthening consideration of climate risk.

2026 — The Fund updated its Investment Strategy Statement to incorporate its climate approach

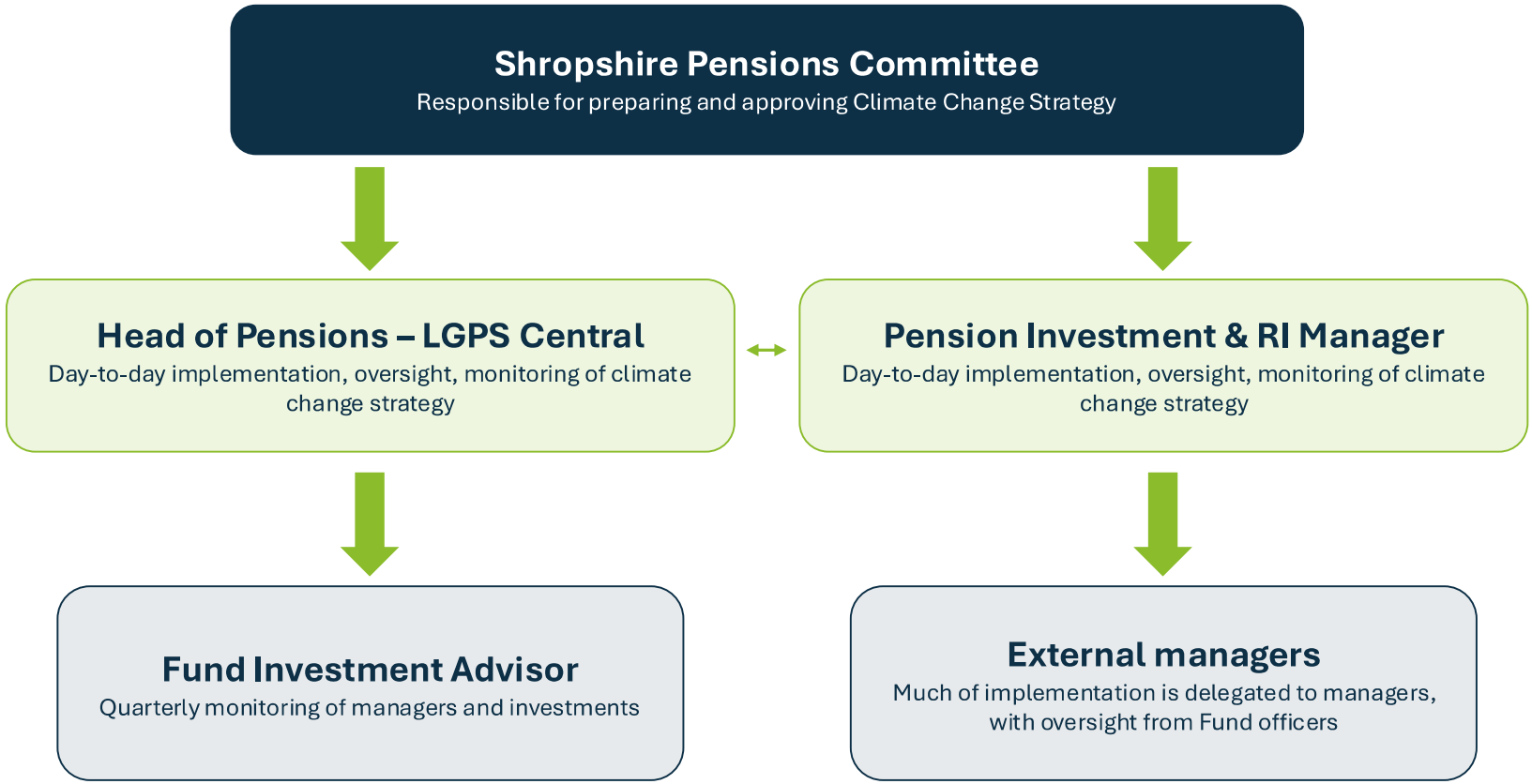
Listed Equity changes since 2020

33%
lower financed emissions

73%
lower normalised financed emissions

64%
lower WACI (listed equity)

Governance


Shropshire Pensions Committee
Responsible for preparing and approving Climate Change Strategy
Head of Pensions – LGPS Central
Day-to-day implementation, oversight, monitoring of climate change strategy
Pension Investment & RI Manager
Day-to-day implementation, oversight, monitoring of climate change strategy
Fund Investment Advisor
Quarterly monitoring of managers and investments
External managers
Much of implementation is delegated to managers, with oversight from Fund officers

How Climate Considerations Inform Strategy

Risks and Opportunities

- Climate change is a financially material risk with the potential to affect investments.
- Transition risks from policy, technology, markets and consumer behaviour
- Physical risks from acute and chronic climate impacts.
- Opportunities associated with the lower-carbon transition.

Investment Strategy

- The Fund seeks to generate long-term sustainable returns.
- RI is integrated into investment decision-making through:
- Strategic asset allocation and mandate design
- Manager selection, due diligence and monitoring
- Stewardship, voting and escalation

Climate Resilience

- Analysis undertaken on the impact of future climate scenarios
- Four climate scenarios considered in the 2025 valuation, including:
- Rapid Transition: initial funding pressure followed by recovery.
- Failed Transition: progressively weaker long-term funding outcomes

Climate Metrics

Carbon Emissions Metrics

Financed Emissions

- This shows the total carbon emissions linked to the fund's investments
  - **Question answered:** What is the fund's total carbon footprint?
  - **Comparability:** Doesn't adjust for fund size, so bigger funds will naturally have higher emissions.

Normalised Financed Emissions

- This shows the emissions apportioned to every £1 million invested.
  - **Question answered:** What are the emissions associated with the fund's holdings.
  - **Comparability:** Adjusts for fund size, making it easier to compare across different funds.

Weighted Average Carbon Intensity (WACI)

- This measures exposure to carbon intensive companies.
  - **Question answered:** How carbon intensive are companies in the fund?
  - **Comparability:** Allows comparability regarding company carbon emissions efficiency.

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Progress Against Climate Targets

Target	Progress as of 31 March 2026
Net zero - scope 1 & 2 carbon equivalent (tCO_2e) - financed emissions by 2050 or sooner for listed equities, corporate bonds, sovereign debt, and property.	
50% reduction of (scope 1 & 2 CO2e) financed emissions by 2030 for listed equities and corporate bonds from 2020.	Listed equities: 33% reduction in financed emissions from 2020. Fixed income: new fund allocation has limited comparability with prior years.
Carbon foot printing and reporting against all public and private market assets.	Carbon footprinting of private market assets has progressively developed as reported data have become available, with estimated data continuing to be required where underlying companies do not report emissions.

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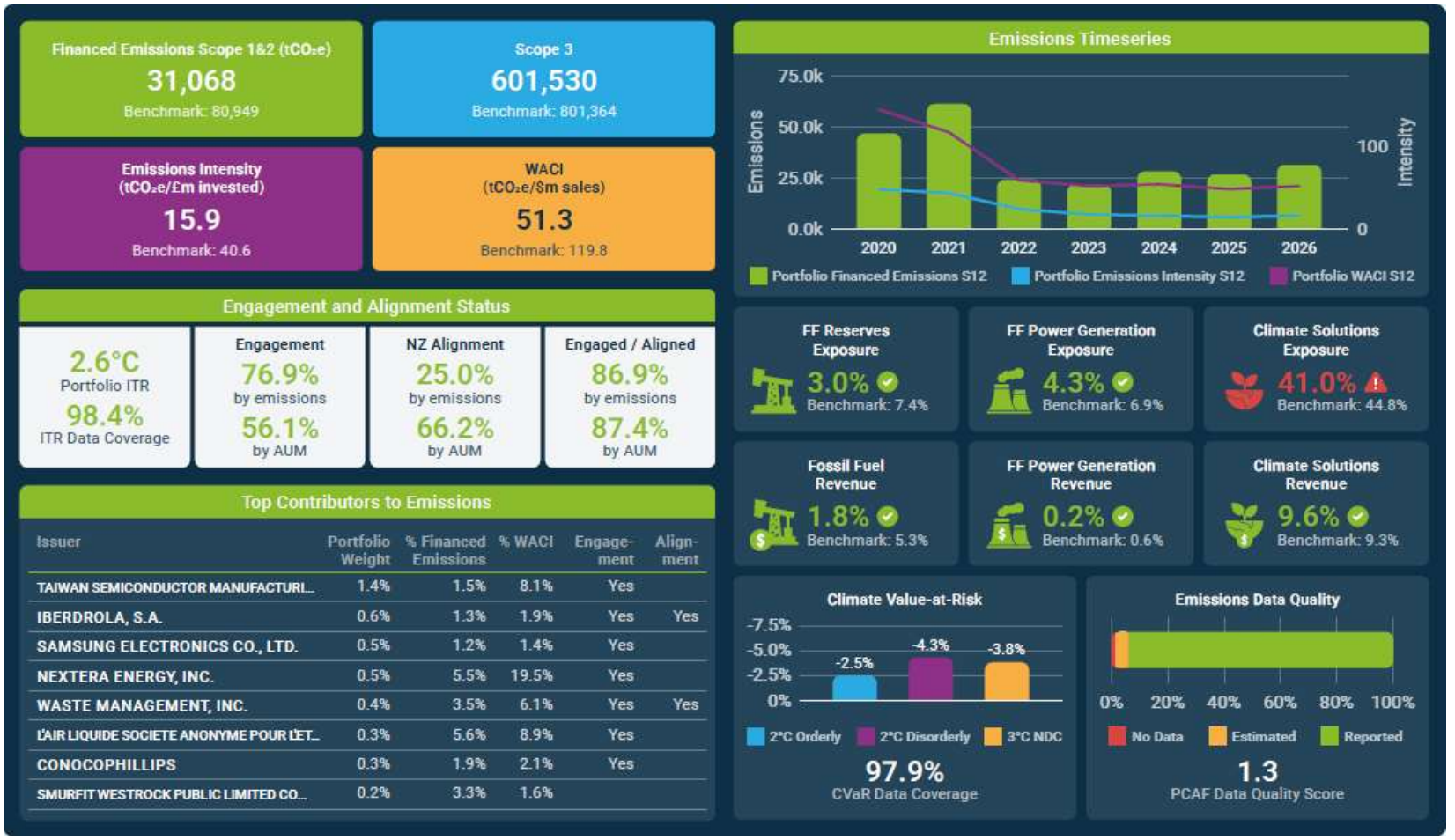
Listed Equity Overview



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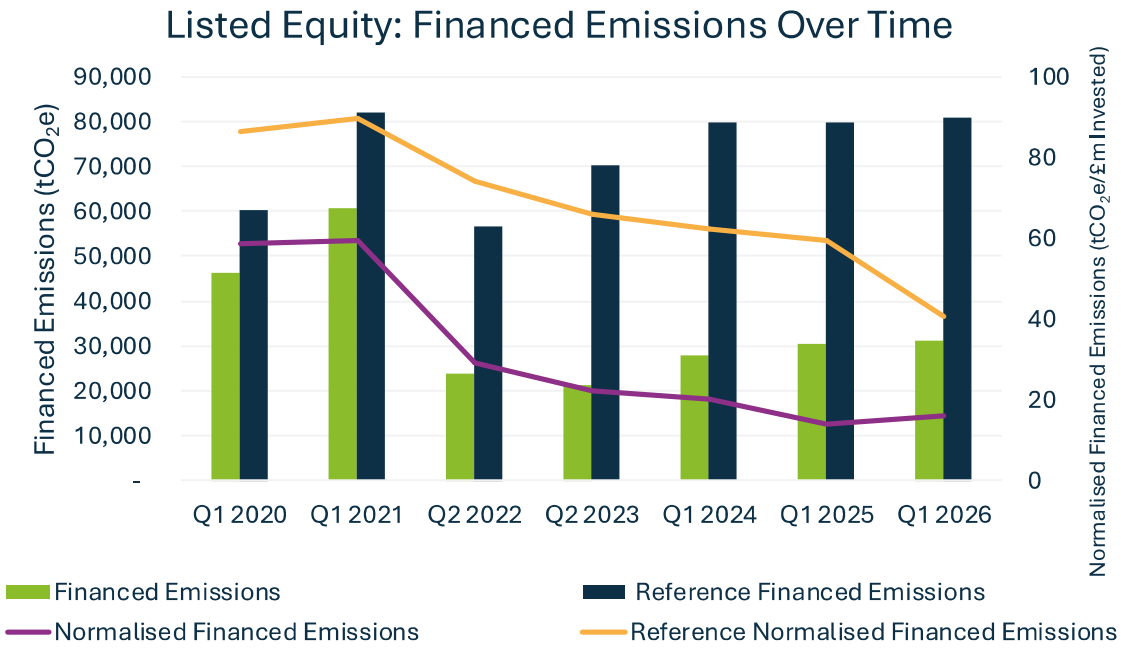
Listed Equities: Financed Emissions



Financed emissions

- 33% vs 2020
- 62% vs Reference Index

Normalised financed emissions

- 73% vs 2020
- 61% vs Reference index

Financed emissions increased due to stock selection effects, with Materials being the largest contributor. This rise should be viewed in context of a large emissions reduction since 2020.

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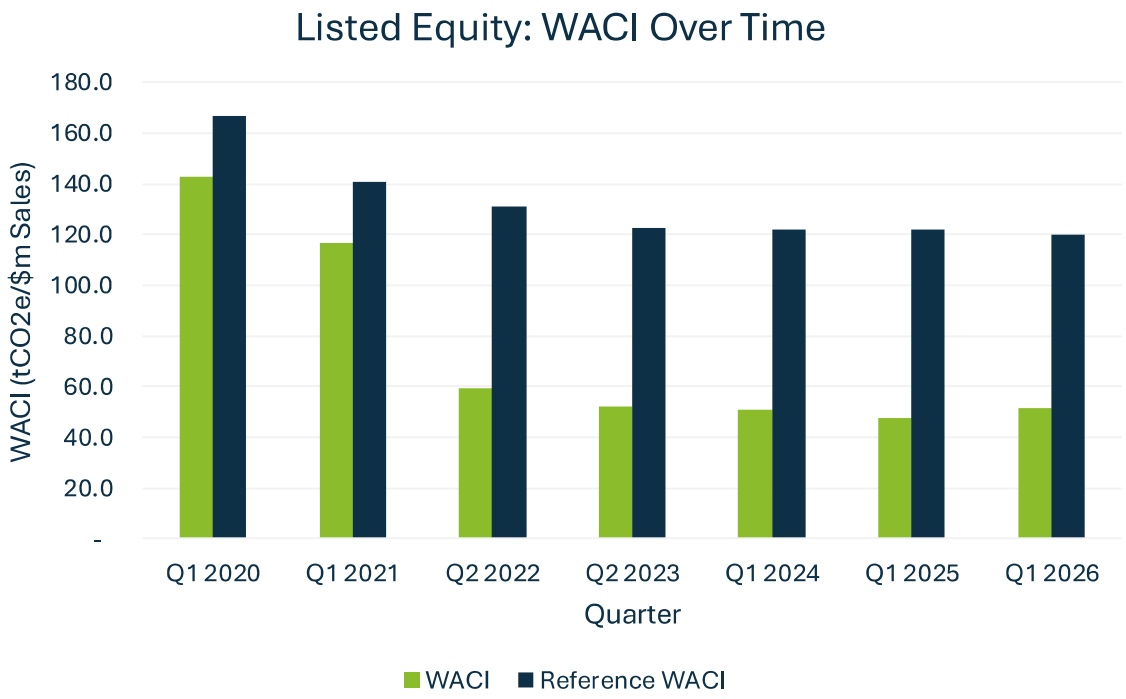
Listed Equity: Weighted Average Carbon Intensity



Weighted Average Carbon Intensity

- 64% vs 2020
- 57% vs Reference index

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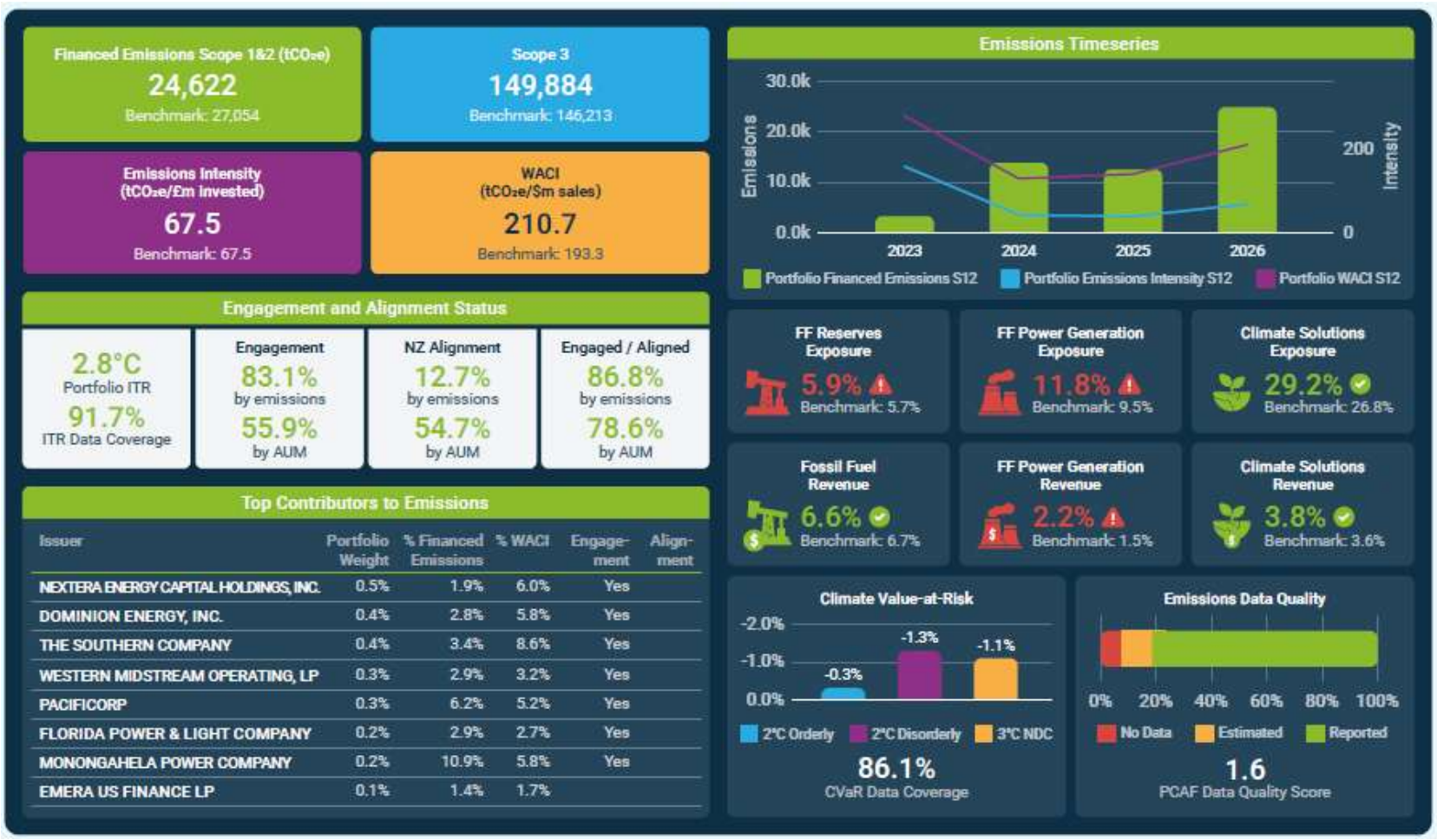
Corporate Fixed Income: Overview



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Corporate Fixed Income: Emissions Profile

Due to change in allocation from Sterling and Global Investment Grade to LGSPC ACS Global Active Investment Grade Credit, results should not be interpreted like-for-like with prior years

Measure	Previous Strategy	Previous Benchmark	Current Strategy	Current Benchmark
Normalised Financed Emissions (tCO_2e / £m invested	37.2	43.8	67.5	64.1
WACI (tCO_2e per $m sales)	133.4	129.4	210.7	194.8

Normalised Financed Emissions and WACI are both greater than benchmark due to both sector allocation and stock selection, with Utilities being a particularly significant contributor.

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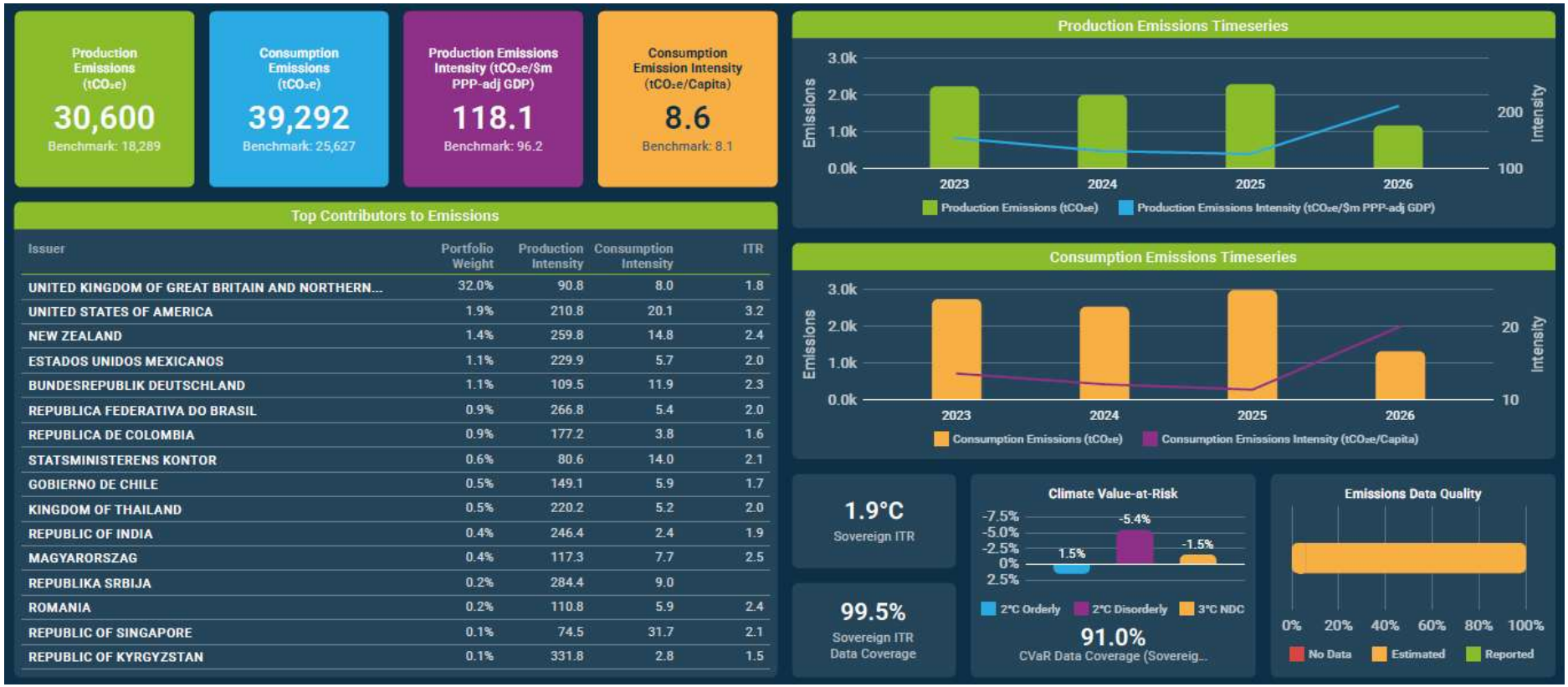
Sovereign Debt: Overview



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Sovereign Debt: Summary

Sovereign exposures is held principally through L&G All Stocks UK Gilts Index Fund, L&G All Stocks UK Index-Linked Gilts Index Fund and sovereign holdings within the T. Rowe Price Dynamic Global Bond Fund.

Metric	Fund	Sovereign Proxy
Production Emissions Intensity (tCO2e /$m PPP-adjusted GDP)	118.1	96.2
Consumption Emissions Intensity (tCO2e / capita)	8.6	8.1
Sovereign Implied Temperature Rise	1.9 °C	-
ITR data coverage	99.5%	-

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Thank you for listening

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All information is prepared as of 30/03/2026.

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Appendix

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Listed Equity: Fund by Fund Analysis

Mandate	Normalised Financed Emissions	WACI
L&G Low Carbon Transition	8.4	33.5
Global Equity Active Multi Manager	27.1	58.1
Global Sustainable Equity Broad	22.2	121.5
Global Sustainable Equity Targeted	5.2	31.9

Corporate Fixed Income: Metrics

Metric	Fund	Benchmark
Scope 1 & 2 financed emissions (tCO2e)	24,622	27,054
Emissions intensity (tCO2e/£m invested)	67.5	67.5
WACI (tCO2e/$m sales)	210.7	193.3
Scope 3 emissions (tCO2e)	149,884	146,213
Fossil fuel revenue	6.6%	6.7%
Fossil fuel reserves exposure	5.9%	5.7%
Climate solutions exposure	29.2%	26.8%
Climate solutions revenue	3.8%	3.6%

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Climate Metrics Definition

Metric	What it tells us
Financed emissions	The Fund's attributable share of issuer Scope 1 and 2 emissions.
Normalised financed emissions	Financed emissions per £1 million invested, supporting comparison over time.
WACI	Exposure to carbon-intensive issuers relative to revenue.
Implied temperature rise	The temperature pathway associated with issuer emissions and targets.
Climate Value at Risk	Potential portfolio-value effects under climate scenarios.
Net-zero alignment	Whether issuers have credible targets and pathways consistent with net zero.
Engagement coverage	The share of financed emissions subject to active engagement.

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