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Leicestershire Pension Fund Climate-related Disclosures

Report prepared in alignment with the recommendations of the TCFD

May 2022

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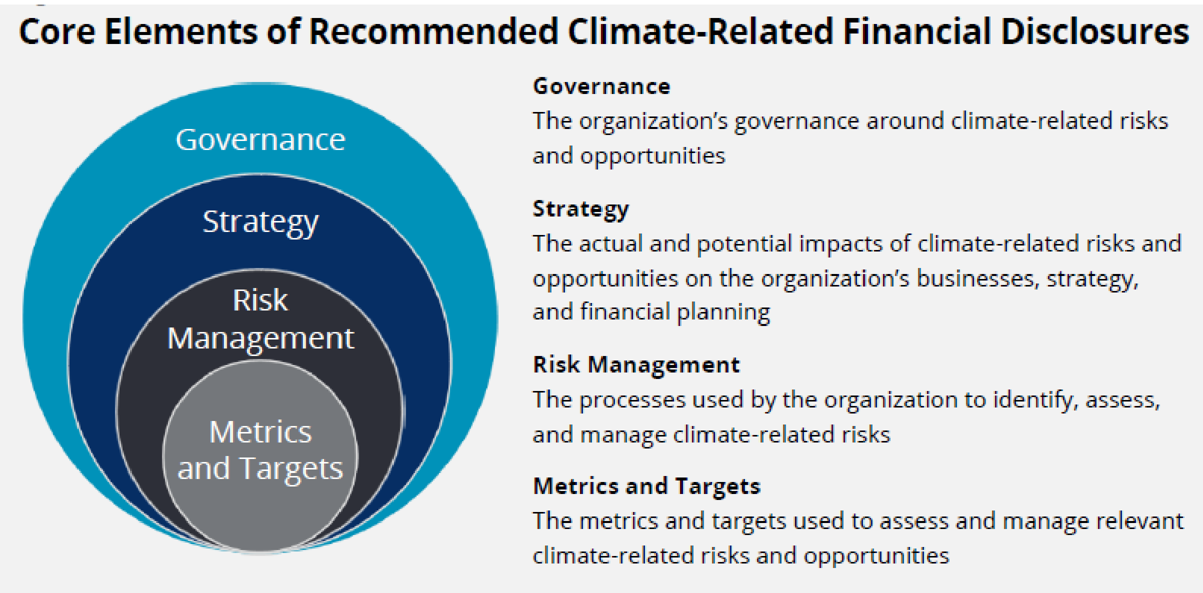
Introduction to the TCFD

The Taskforce on Climate-related Financial Disclosures (TCFD) was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. Official supporters of the TCFD total 930 organisations representing a market capitalisation of over $11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice.

The recommendations are based on the financial materiality of climate change. The four elements of recommended disclosures (see Figure 1 below) are designed so as to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. Examples of pension funds that have been early adopters of the TCFD recommendations include AP2, NEST, PGGM, RPMI Railpen, The Pensions Trust, and Environment Agency Pension Fund.

Figure 1: TCFD Disclosure Pillars



The Fund supports the TCFD recommendations as the optimal framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into investment processes. As a pension fund, we are long-term investors and are diversified across asset classes, regions and sectors, making us "universal owners". It is in our interest that the market is able to effectively price climate-related risks and that policymakers are able to address market failure. We believe TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of our beneficiaries.

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About this report

This report is Leicestershire Pension Fund's (LPF or 'the Fund') second climate-related disclosure report. It describes the way in which climate-related risks are currently managed within the Fund.

Since October 2020, LPF has received two Climate Risk Reports from the Fund's pooling company, LGPS Central Ltd. These reports provide an in-depth review of the Fund's climate risks under different climate change scenarios across all asset classes. The Fund is currently using the findings of these reports to develop a more detailed Climate Strategy.

In the interests of being transparent with the Fund's beneficiaries and broader stakeholder base, this report discloses the most recent Carbon Risk Metrics Analysis and Climate Scenario Analysis undertaken on the Fund's assets. We expect to update our Carbon Risk Metrics on an annual basis.

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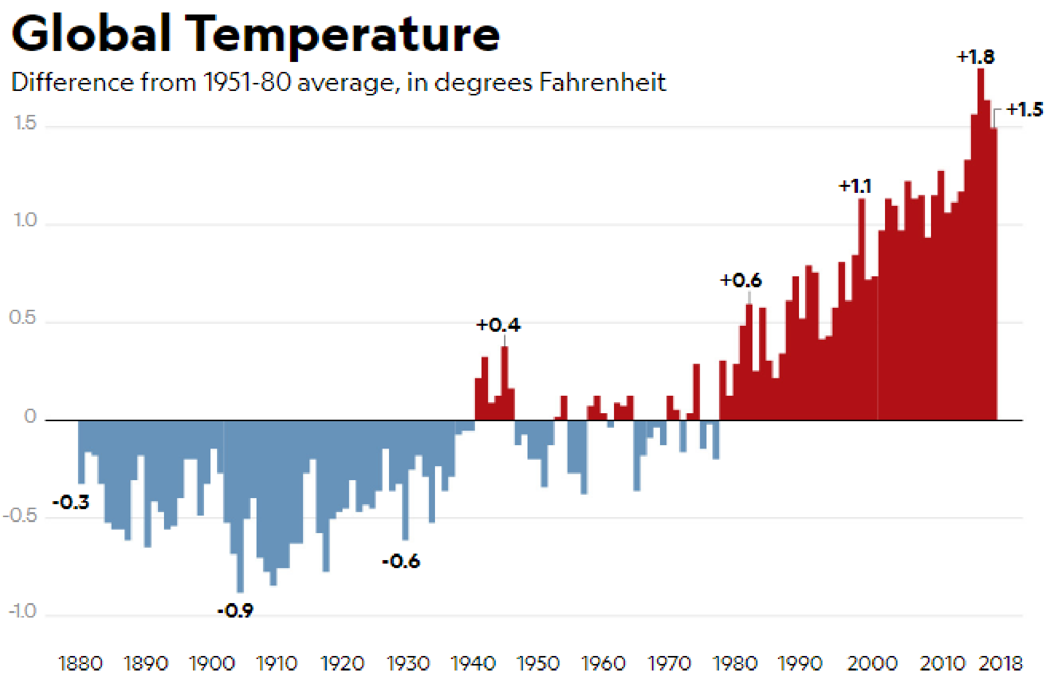
Climate-related risks

Human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels. Most of this warming has occurred in the past 35 years, with the seven warmest years on record taking place since 2010. Between the years 2006-2015, the observed global mean surface temperature was 0.87°C higher than the average over the 1850-1990 period. The overwhelming scientific consensus is that the observed climatic changes are the result primarily of human activities including electricity and heat production, agriculture and land-use change, industry, and transport.

Figure 2 Graph showing Global Temperature Difference from 1951-80 average. Source: NASA



In order to mitigate the worst economic impacts of climate change, there must be a large, swift, and globally co-ordinated policy response. Despite this, the majority of climate scientists anticipate that given the current level of climate action, by 2100 the world will be between 2°C and 4°C warmer, with significant regional variations. This is substantially higher than the Paris Climate Change Agreement, which reflects a collective goal to hold the increase in the climate's mean global surface temperature to well below 2°C above preindustrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

Figure 3: Selected extracts from the Paris Agreement on climate change. Source: UNFCCC.

Paris Agreement Article 2(1)a

Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

Paris Agreement Article 2(1)c

Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Paris Agreement Article 4(1)

In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

Given its contribution to global greenhouse gas (GHG) emissions, the energy sector is expected to play a significant role in the long-term decarbonisation of the economy. Figure 4 suggests that in one climate scenario the proportion of coal, oil, and gas in the global power generation mix will shrink to 31% of the total by 2050. It is important to recognise however that not only is the supply of energy expected to be a factor in global decarbonisation, but the demand for energy plays a crucial role too. In addition, the behaviour of private and state-owned energy companies (not commonly invested in by UK pension funds) is as important as their publicly traded counterparts.

The issue faced by diversified investors (such as pension funds) is not limited to the oil & gas and power generation sectors, but also to downstream sectors. Investors focussing exclusively on primary energy suppliers could fail to identify material climate risks in other sectors. Research suggests that the oil & gas sector is not homogeneous with regards to climate risk: were climate policies to affect the oil price, those companies with assets lower down the cost curve are less likely to be financially compromised by those companies with higher-cost assets. Investors that assume each fossil fuel company bears an equal magnitude of climate-related risk could be led towards sub-optimal decision-making.

The Fund recognises that climate-related risks can be financially material and that the due consideration of climate risk falls within the scope of the Fund's fiduciary duty. Given the Fund's long-dated liabilities and the timeframe in which climate risks could materialise, a holistic approach to risk management covering all sectors and all relevant asset classes is warranted.

Figure 4: The Bloomberg New Energy Outlook global power generation mix. Source: BloombergNEF.

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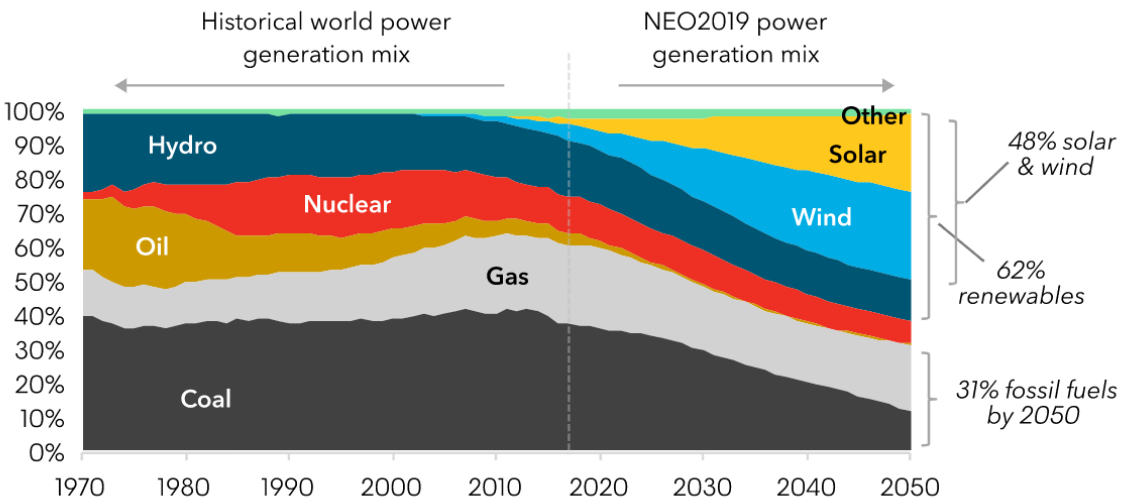

Historical world power generation mix
NEO2019 power generation mix
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1970
1980
1990
2000
2010
2020
2030
2040
2050
Hydro
Nuclear
Oil
Gas
Coal
Other
Solar
Wind
48% solar & wind
62% renewables
31% fossil fuels by 2050

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Governance

TCFD Recommended Disclosure
a) Describe the board's oversight of climate-related risks and opportunities

Roles and responsibilities at the Fund are set out clearly in the Fund's *Governance Compliance Statement.* Overall responsibility for managing the Fund lies with the full Council of Leicestershire County Council which has delegated the management and administration of the Fund to the Leicestershire Pension Fund Committee.

The Pension Committee ("the Committee") is responsible for preparing the *Investment Strategy Statement (ISS).* The ISS includes a formal investment belief on responsible investment, recognising its ability to enhance long-term performance. The Pension Fund Committee meets quarterly and includes voting reports from its LGIM and LGPS Central sub-funds as well as the LGPS Central Quarterly Stewardship Update. The Committee will in due course consider and approve a specific Climate Strategy.

The Fund has received two Climate Risk Reports from LGPS Central, which will support the formation of the Fund's Climate Strategy.

The Local Pensions Board has an oversight role in ensuring the effective and efficient governance and administration of the Fund, including securing compliance with LGPS Regulations and any other legislation relating to the governance and administration of the Scheme.

TCFD Recommended Disclosure
b) Describe management's role in assessing and managing climate-related risks and opportunities.

The Fund Officers have primary day-to-day responsibility for the way in which climate-related investment risks are currently managed. As a primarily externally managed fund, the implementation of much of the management of climate-related risk is delegated onwards to portfolio managers. External portfolio managers are monitored on a regular basis by the Pensions Committee.

In 2021 the Fund Officers received a second Climate Risk Report which will enable the consideration of climate change within strategy setting, including asset allocation and asset selection. Receipt of a Climate Risk Report is expected to occur annually.

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Strategy

TCFD Recommended Disclosure
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

As a diversified asset owner, the range of climate-related risks and opportunities are multifarious and constantly evolving. A subset of risk factors is presented in Table 1.

Table 1: Example Short, Medium & Long-Term Risks

	Short & Medium Term	Long Term
Risks	Carbon prices Technological change Policy tightening Consumer preferences	Resource scarcity Extreme weather events Sea level rise
Asset class	Listed equities Growth assets Energy-intensive industry Oil-dependent sovereign issuers Carbon-intensive corporate issuers	Infrastructure Property Agriculture Commodities Insurance

Short-term risks include stock price movements resulting from increased regulation to address climate change. Medium-term risks include policy and technology leading to changes in consumer behaviour and therefore purchasing decisions – the uptake in electric vehicles is an example of this. Long-term risks include physical damages to real assets and resource availability. Examples would include increased sea level rise for coastal infrastructure assets or supply chain impacts for companies as a result of severe weather events.

The Fund has received a Climate Risk Report and will use the findings to develop a Climate Strategy.

TCFD Recommended Disclosure
b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

Although the Fund is diversified across asset classes, regions, and sectors, it is recognised that climate risk is systemic and is unlikely to be eliminated through diversification alone.

Partly to reduce its climate-related risks, the Fund invested £775,100,000 in a multi-factor climate fund in 2021. While seeking exposure to five style factors, the fund tilts away from companies that are carbon intensive or own fossil fuel reserves and tilts towards companies that generate green

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revenues. The Fund is exploring options to further embed climate-related risks and opportunities into its investment strategy, including reviewing potential investments in sustainable asset classes where this supports the Fund's investment and funding objectives.

TCFD Recommended Disclosure
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

In 2020 the Fund engaged the expertise of an external contractor, Mercer LLC, to understand the extent to which the Fund's risk and return characteristics could come to be affected by a set of plausible climate scenarios. This includes an estimation of the annual climate-related impact on returns (at the fund and asset-class level). All asset classes are included in this analysis. The climate scenarios considered are 2°C, 3°C and 4°C. This analysis is carried out every 2 to 3 years and the results of the 2020 analysis are provided below.

The scenarios are defined according to the change since pre-industrial times in mean global surface temperatures. A 2°C scenario represents a low carbon economy transformation most closely aligned with successful implementation of the Paris Agreement's ambition. A 3°C scenario involves some climate action but a failure to meet the Paris Agreement 2°C objective and meaningfully alleviate anticipated physical damages. A 4°C scenario reflects a fragmented policy pathway where current commitments are not implemented and there is a serious failure to alleviate anticipated physical damages. At the time of writing, current national climate policies imply a 3°C scenario.

Table 2: Annualised climate change impact on portfolio returns – to 2030 and 2050[1].

		Estimated climate impact on returns	
Scenario	Timeline	**Current Asset Allocation as of 31/12/2019**	**Strategic Asset Allocation**
2°C	2030	**0.12%**	**0.15%**
	2050	**-0.02%**	**-0.01%**
3°C	2030	**-0.02%**	**-0.02%**
	2050	**-0.08%**	**-0.07%**
4°C	2030	**-0.07%**	**-0.07%**
	2050	**-0.13%**	**-0.13%**

[1] Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated 20 October 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Leicestershire Pension Fund. Other third parties may not rely on this information without Mercer's prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

The analysis included the whole of LPF's investment portfolio. Two variations of LPF's investment portfolio were considered 1) the current asset allocation as of 31st December 2019 and 2) the 'strategic asset allocation' which included the Fund's 2020 changes. The main differences between the two are: placing 16.3% in low carbon equities shifting on a pro-rata basis from other equities allocations; and allocating 4% to MAC coming from a reduction in targeted return.

According to the analysis summarised in Table 2, a 2°C scenario is, according to the model used, the best climate scenario from a returns perspective (adding 0.12% in annual returns to the Asset Allocation on a timeline to 2030). This positive impact is boosted under the Strategic Asset Allocation reflecting the 16% allocation to Low Carbon Equities. A 4°C scenario is the worst of the three considered (detracting 0.07% over the same period for both asset allocations). This is due to the model's assumption that this level of warming would result in increased physical risks (such as extreme weather events and water scarcity) which act as a drag on returns. The Fund is using the analysis to set a Climate Strategy.

Translating Climate Scenario Analysis into an investment strategy is a challenge because there is a wide range of plausible climate scenarios; the probability of any given scenario is hard to determine, and; the best performing sectors and asset classes in a 2°C scenario tend to be the worst performers in a 4°C and vice versa. 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.

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Risk Management

TCFD Recommended Disclosure
a) Describe the organisation's process for identifying and assessing climate-related risks.

The Fund seeks to identify and assesses climate-related risks at the total Fund level and the individual asset level. The Fund's 2020 and 2021 Climate Risk Reports include a combination of both top-down and bottom-up analyses[2]. 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, in order to compare with other investment risk factors.

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. Existing fund managers are monitored on a regular basis.

Engagement activity is conducted with investee companies through selected stewardship partners including LGPS Central, EOS at Federated Hermes, and LAPFF (see below). Based on the findings of its Climate Risk Report, the Fund has devised a Climate Stewardship Plan in order to focus engagement resources on the investments most relevant to the Fund.

TCFD Recommended Disclosure
b) Describe the organisation's process for managing climate-related risks.

The prioritisation of risks is determined based on the level of perceived threat to the Fund which, for climate-related risk, will likely depend on analyses including Climate Scenario Analysis and Carbon Risk Metrics.

Stewardship activities 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 supports the engagement objectives of the Climate Action 100+ initiative, viz. 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.

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

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[2] Climate Scenario Analysis only included in the 2020 Climate Risk Report.

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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 Team at LGPS Central engages companies on LPF'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. In 2019, EOS conducted engagements on 238 climate change issues across its company universe.
Local Authority Pension Fund Forum	LPF is a long-standing member of the Local Authority Pension Fund Forum (LAPFF). LAPFF conducts engagements with companies on behalf of local authority pension funds. In 2019 LAPFF conducted over 150 engagements on climate change.

The instruction of shareholder voting opportunities is an important part of climate stewardship. The Fund delegates responsibility for voting to LGPS Central or the Fund's directly appointed investment managers. For Fund assets managed by the former, votes are cast in accordance with LGPS Central's *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 Transition Pathway Initiative (TPI) scoring system. LGPS Central recently co-filed climate-related shareholder resolutions at the meetings of BP Plc, Barclays Plc, and Credit Suisse. Fund assets managed by appointed external managers, votes must be cast in line with industry best practice as set out in the accepted governance codes.

The results of engagement and voting activities are reviewed by the Pensions Committee on a quarterly basis, via voting reports and the LGPS Central Quarterly Stewardship Update.

Based on its first Climate Risk Report, the Fund has developed a Climate Stewardship Plan which, alongside the widescale engagement activity undertaken by LGPS Central, EOS at Federated Hermes, and LAPFF, includes targeted engagement with nine investee companies of particular significance to the Fund's portfolio.

Table 4: Companies included in the Climate Stewardship Plan

Company	Sector
Anhui Conch Cement	Materials
BP	Energy
Cemex	Materials
Glencore	Materials
Holcim	Materials
NextEra	Utilities
Shell	Energy
Taiwan Semiconductor Manufacturing	Info Tech

TCFD Recommended Disclosure
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Both 'mainstream' risks and climate-related risks are discussed by the Pension. While specific macro-economic risks are not usually included in isolation, the Fund has noted climate risk within its Risk Register.

Climate risk is further managed through the Fund's Climate Stewardship Plan.

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Metrics and Targets

TCFD Recommended Disclosure
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The Fund has recently received its second annual report from LGPS Central Ltd, setting out the carbon risk metrics for its listed equities portfolios, which represent 49% of the Fund's total assets. The poor availability of data in asset classes other than listed equities prevents a more complete analysis at this time.

The carbon risk metrics analysis includes:

- portfolio carbon footprints[3],
- weight of portfolios invested in companies with fossil fuel reserves
- weight of portfolios invested in companies with thermal coal reserves
- weight of portfolios invested in companies whose products and services include clean technology
- metrics assessing the management of climate risk by portfolio companies

Carbon risk metrics aid the Fund in assessing the potential climate-related risks to which the Fund is exposed, and identifying areas for further risk management, including company engagement and fund manager monitoring. The Fund additionally monitors stewardship data (see above).

TCFD Recommended Disclosure
b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. TCFD Guidance: *Asset owners should provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each fund or investment strategy.*

In line with the TCFD guidance and following receipt of a report from LGPS Central Limited we provide below the carbon footprints of our equity portfolio[4]:

Table 5: Carbon risk metrics for the equity portfolio as at 31st March 2021[5]

[3] Following TCFD guidance we use weighted average portfolio carbon footprints.
[4] Analysis undertaken on the listed equities portfolios with holdings data as of 31st March 2021. The information in Table 5 was provided to the Fund in a report authored by LGPS Central Limited. In LGPS Central Limited's report, the Total Equities portfolio comprises the Total Active Equities and the Total Passive Equities portfolios weighted according to their size in GBP. The Total Active Equities portfolio contains two underlying portfolios managed for the Fund by LGPS Central. The Total Passive Equities portfolio contains six underlying portfolios managed for the Fund by LGIM and one underlying portfolio managed by LGPS Central.

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Portfolio Name	Benchmark	Carbon Footprint (tCO_2e/$m revenue) PF	BM	% Diff	Weight in Fossil Fuel Reserves (%) PF	BM	% Diff	Weight in Thermal Coal Reserves (%) PF	BM	% Diff	Weight in Clean Technology (%) PF	BM	% Diff
Total Equities	Total Equities Blended Benchmark	120.2	143.9	-16.5%	6.3%	6.5%	-0.2%	2.7%	2.9%	-0.2%	38.8%	39.5%	-0.7%
Total Active Equities	Blended Active Benchmark	131.2	213.0	-38.4%	6.6%	7.4%	-0.8%	2.2%	2.8%	-0.7%	36.2%	38.7%	-2.5%
Total Passive Equities	Blended Passive Benchmark	115.8	-	-	6.1%	-	-	2.9%	-	-	39.9%	-	-

The Fund's total Equities portfolio is 16.5% more carbon efficient than the blended benchmark. This means that, on average, for every $m of economic output companies produce, the Fund's investee companies emit 16.5% fewer GHG emissions than the companies in the blended benchmark. The Total Equities portfolio has a lower exposure to both fossil fuel reserves and thermal coal reserves than its blended benchmark. The Total Active Equities portfolio is 38.4% more carbon efficient than its benchmark, and the Total Passive Equities has a carbon footprint of 115.8 tCO_2e/ $m revenue.

As per Figures 5, 6 and 7, the Fund's carbon risk metrics have improved between 31st December 2019 and 31st March 2021. Within this timeframe, the Fund's portfolio carbon footprint has decreased (Fig. 5), the exposure to fossil fuel reserves has decreased (Fig. 6), and the weight in clean technology has increased (Fig. 7).

Figure 5: Total Equity Carbon Footprint

[5] Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission.

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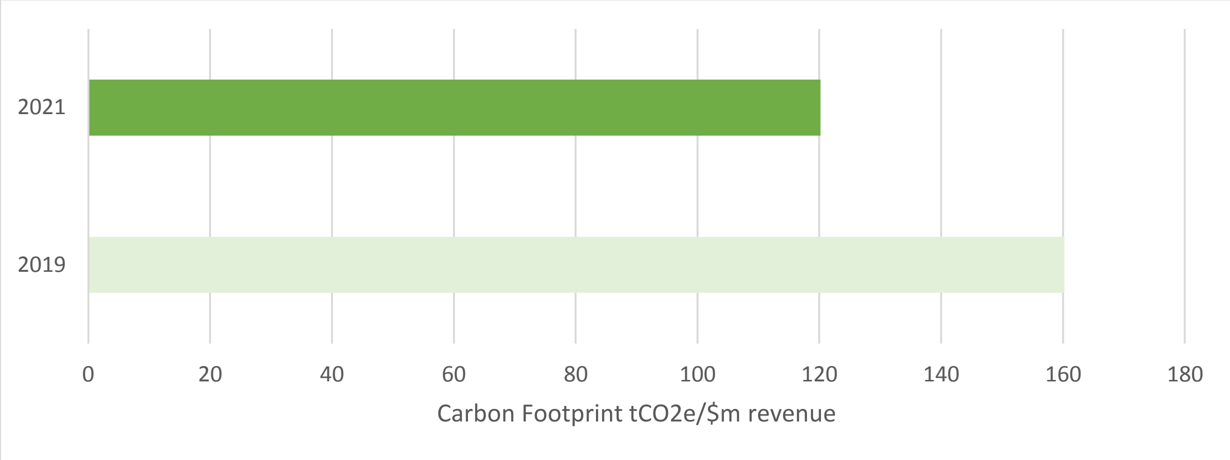


Figure 6: Total Equity Exposure to Fossil Fuel Reserves

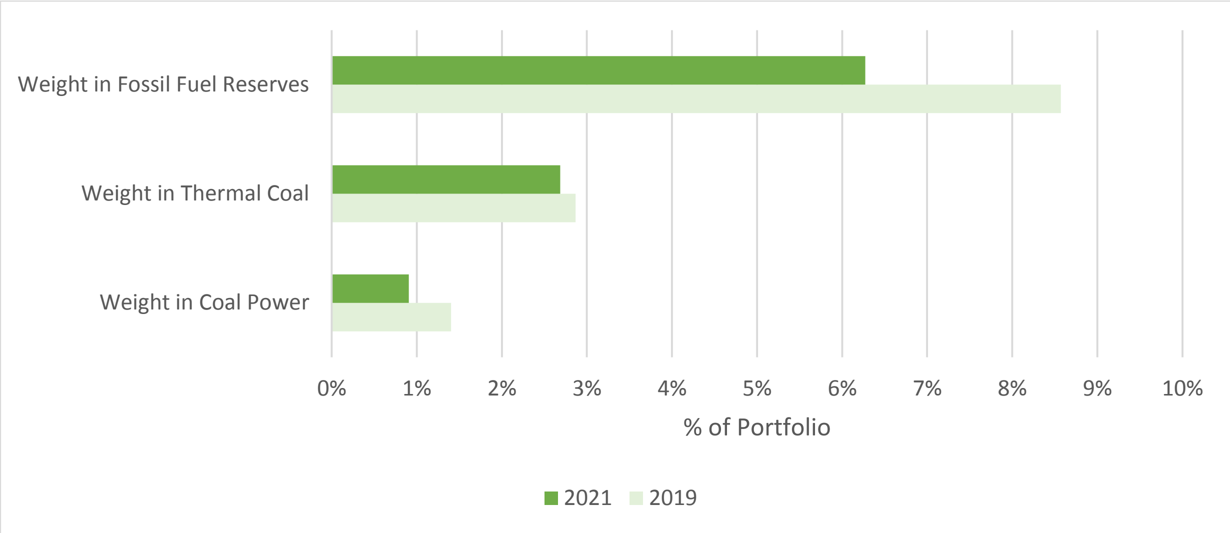
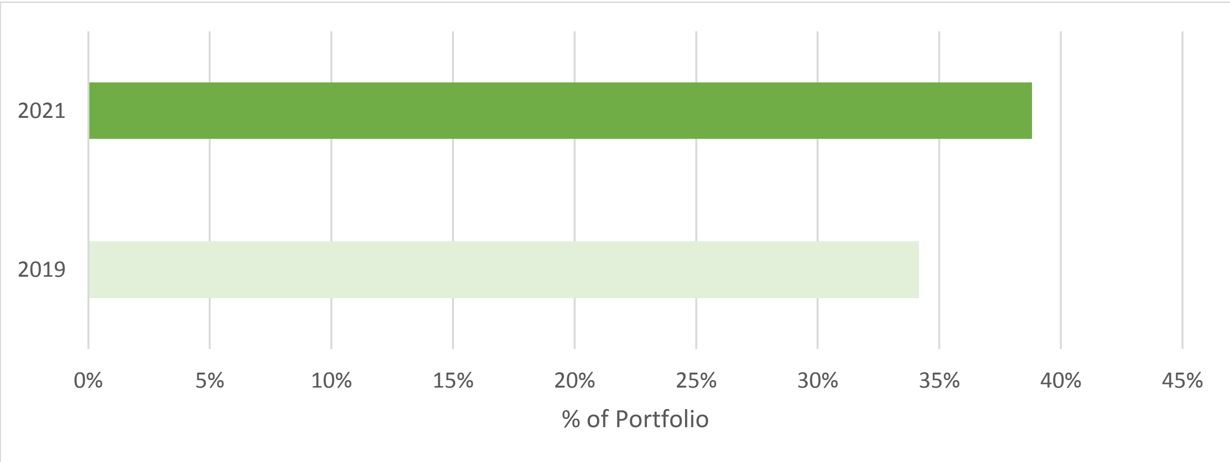


Figure 7: Total Equity Weight in Clean Technology



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Whilst the Fund's carbon risk metrics results show the Fund already 'outperforms' its benchmarks, the Fund is proactively exploring ways to further embed climate risk management in its investment decision making. The Fund expects to update its carbon risk metrics data on an annual basis.

TCFD Recommended Disclosure
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The ability for diversified investors (such as pension funds) to set meaningful climate targets is inhibited by the paucity of credible methodologies and data currently available. Like most investors, the Fund is supportive of the development of target-setting methodologies, and the increasing completeness of carbon datasets. The Fund wishes to set meaningful and challenging climate targets for its investment portfolio and work is underway to assess options within the limitations of currently available data.

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Appendix 1

TCFD Recommendations for Asset Owners (source: TCFD)

Governance

Recommended Disclosure (a) Describe the board's oversight of climate-related risks and opportunities.

Recommended Disclosure (b) Describe management's role in assessing and managing climate-related risks and opportunities.

Strategy

Recommended Disclosure (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

Recommended Disclosure (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Recommended Disclosure (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

Recommended Disclosure (a) Describe the organisation's processes for identifying and assessing climate-related risks.

Recommended Disclosure (b) Describe the organisation's processes for managing climate-related risks.

Recommended Disclosure (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Metrics and Targets

Recommended Disclosure (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Recommended Disclosure (b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Recommended Disclosure (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Appendix 2: Glossary

Clean Technology/ Weight in Clean Technology: the weight of a portfolio invested in companies whose products and services include clean technology. Products and services eligible for inclusion include Alternative Energy, Energy Efficiency, Green Building, Pollution Prevention, Sustainable Water.

Coal Reserves/ Portfolio exposure to thermal coal reserves: the weight of a portfolio invested in companies that own thermal coal reserves.

Engagement: dialogue with a company concerning particular aspects of its strategy, governance, policies, practices, and so on. Engagement includes escalation activity where concerns are not addressed within a reasonable time frame.

Fossil Fuel Reserves/ Portfolio exposure to fossil fuel reserves: the weight of a portfolio invested in companies that own fossil fuel reserves.

Physical risk/ climate physical risk: the financial risks and opportunities associated with the anticipated increase in frequency and severity of extreme weather events and other phenomena, including storms, flooding, sea level rise and changing seasonal extremities.

Portfolio Carbon Footprint/ Carbon Footprint: A proxy for a portfolio's exposure to potential climate-related risks (especially the cost of carbon), often compared to a performance benchmark. It is calculated by working out the carbon intensity (Scope 1+2 Emissions / $M sales) for each portfolio company and calculating the weighted average by portfolio weight.

Scope 1 Greenhouse Gas Emissions: Direct emissions from owner or sources controlled by the owner, including: on-campus combustion of fossil fuels; and mobile combustion of fossil fuels by institution-controlled vehicles.

Scope 2 Greenhouse Gas Emissions: Indirect emissions from the generation of purchased energy

Scope 3 Greenhouse Gas Emissions: Indirect emissions that are not controlled by the institution but occur as a result of that institutions activities. Examples include commuting, waste disposal and embodied emissions from extraction.

Stewardship: the promotion of the long-term success of companies in such a way that the ultimate providers of capital also prosper, using techniques including engagement and voting.

Transition risk/ climate transition risk: the financial risks and opportunities associated with the anticipated transition to a lower carbon economy. This can include technological progress, shifts in subsidies and taxes, and changes to consumer preferences or market sentiment.

Voting: the act of casting the votes bestowed upon an investor, usually in virtue of the investor's ownership of ordinary shares in publicly listed companies.

Appendix 3: Important Information

Extract above from Mercer Limited’s (Mercer) report “Climate Change Scenario Analysis” dated 20 October 2020 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Leicestershire Pension Fund. Other third parties may not rely on this information without Mercer’s prior written permission. The findings and opinions expressed are the intellectual property of Mercer and are not intended to convey any guarantees as to the future performance of the investment strategy. Information contained herein has been obtained from a range of third party sources. Mercer makes no representations or warranties as to the accuracy of the information and is not responsible for the data supplied by any third party.

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