



2025 Climate Risk Management Report

Presented by LGPS Central Limited

1

Agenda Item 11

Agenda



Introduction to Climate Risk and Climate Reporting

Climate Risks and Climate Reporting

Cause and Effect: Double Materiality

Greenhouse Gas Emission Scopes

Financed Emissions and Carbon Intensity

LGPS Central Net-Zero Alignment Methodology

Data Quality and Availability

Exposure Metrics

LPF's Climate Metrics

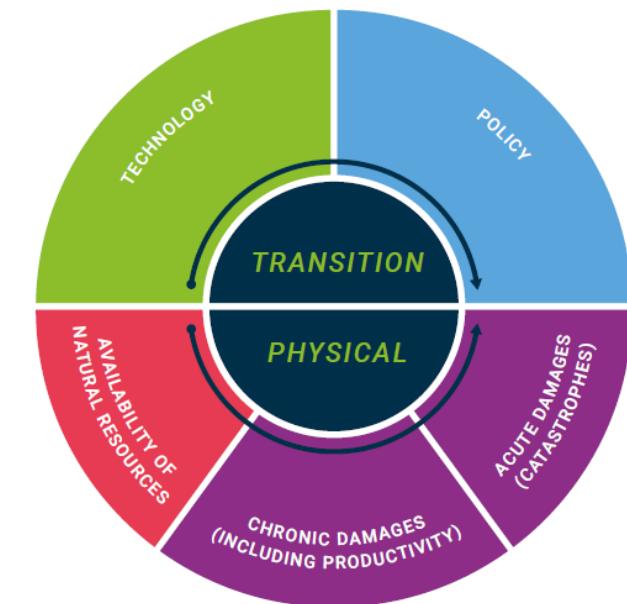
Climate Metrics Over Time – Listed Equities

Introduction to Climate Risks and Climate Reporting



Climate Risks and Climate Reporting

- This report constitutes the sixth iteration of Leicestershire Pension Fund's analysis of its approach to climate-related risks and opportunities.
 - Taskforce on Climate-Related Financial Disclosures (TCFD) reporting.
- As climate risks materialise, portfolio's will be financially impacted through:
 - Transition risks
 - Physical risks
 - As well as opportunities associated with the transition to a low carbon economy.
- Climate risk reporting allows us to monitor exposure to these risks over time.

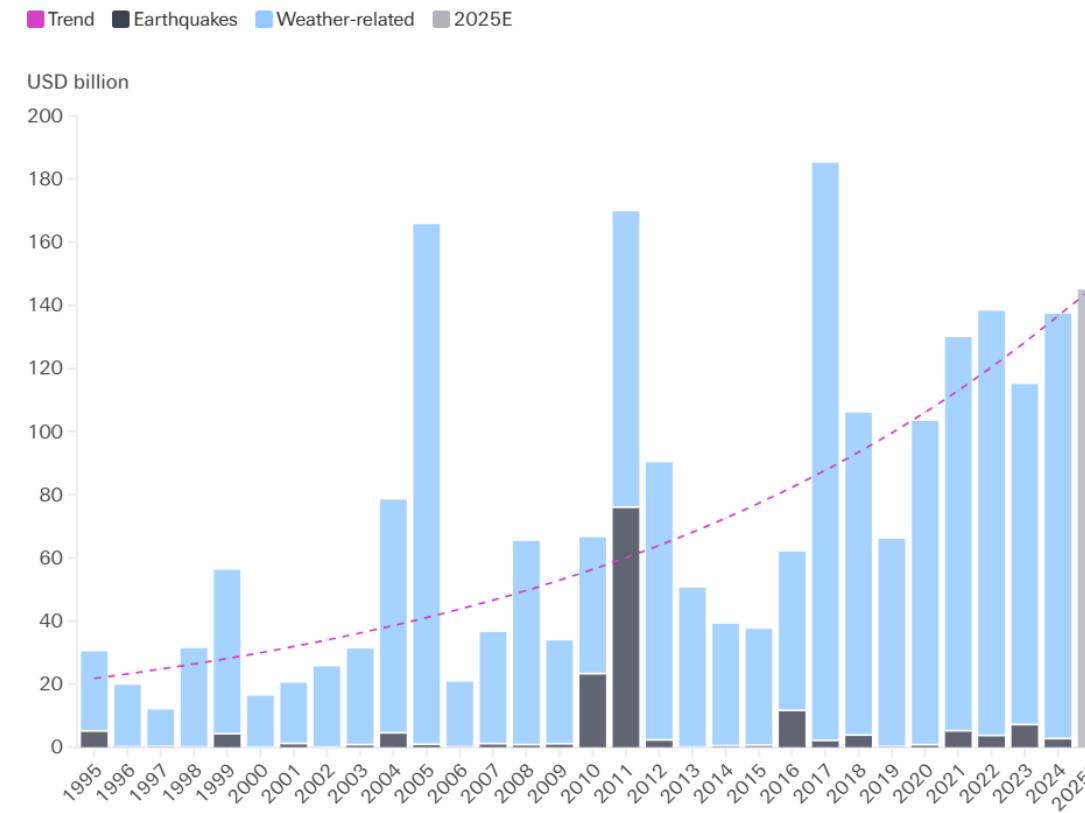




The materiality of climate change (1)

- Annual extreme weather events have increased 6x in their frequency and costs to the insurance industry since 1980¹.
- Impacts the affordability of insurance and property & infrastructure valuations.
- \$1.47 trillion of US property value at risk in next 30 years².

**Growth in national catastrophe insurance losses
(Swiss RE)**



¹ UN Disaster Risk Reduction ² First Street Report on American Real Estate Value and climate change

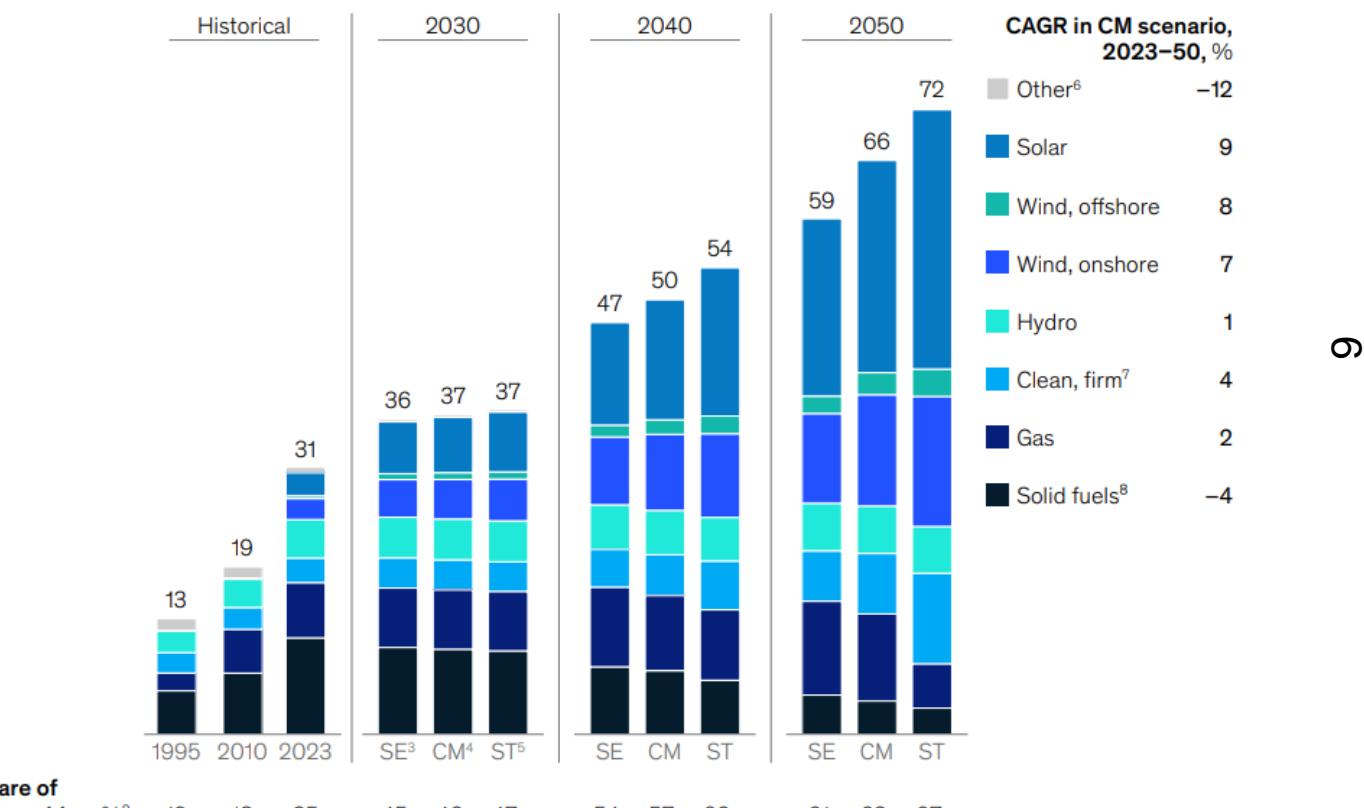
Source: Swiss RE Institute



The materiality of climate change (2)

- Global demand for electricity expected to grow by 40~50% by 2035¹.
- Oil demand is largely dependent on the outlook for electric vehicles².
- Gas demand in 2050 scenarios varies from +20% to -55%³.
- Clean energy, solar & batteries in particular, set for the fastest rate of energy sector growth.

Renewables to provide 61% ~ 67% of global power mix by 2050 (McKinsey)⁴



1 IEA World Energy Outlook 2025

2 IEA World Energy Outlook 2025

3 BP Energy 2025 Outlook

Introduction to Climate Metrics



Financed Emissions and Carbon Intensity Metrics

Financed Emissions

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

Normalised Financed Emissions

- This tells you how much carbon is linked to every £1 million invested.
 - **Question answered:** What are the emissions associated with my fund's holdings.[∞]
 - **Comparability:** Adjusts for fund size, making it easier to compare across different funds.

WACI (Weighted Average Carbon Intensity)

- This measures exposure to carbon intensive companies.
 - **Question answered:** How much is my fund exposed to carbon-intensive companies?
 - **Comparability:** Also adjusts for fund size and focuses more on company-level carbon intensity.



LGPS Central Net Zero-Alignment Methodology

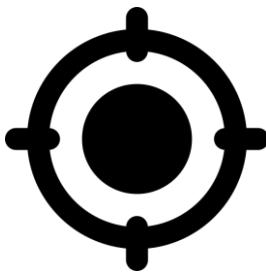


Low Carbon Transition Score

Score from 0 (worst) to 10 (best) based on each issuers' current risk exposure and its efforts to manage the risk and opportunities presented by the low-carbon transition. Source of rating: MSCI

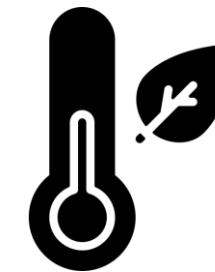
Score of more than 5 required.

6



Science-Based Target

Issuer commits to medium- and long-term net zero targets that are considered science-based; i.e. in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.



Implied Temperature Rise

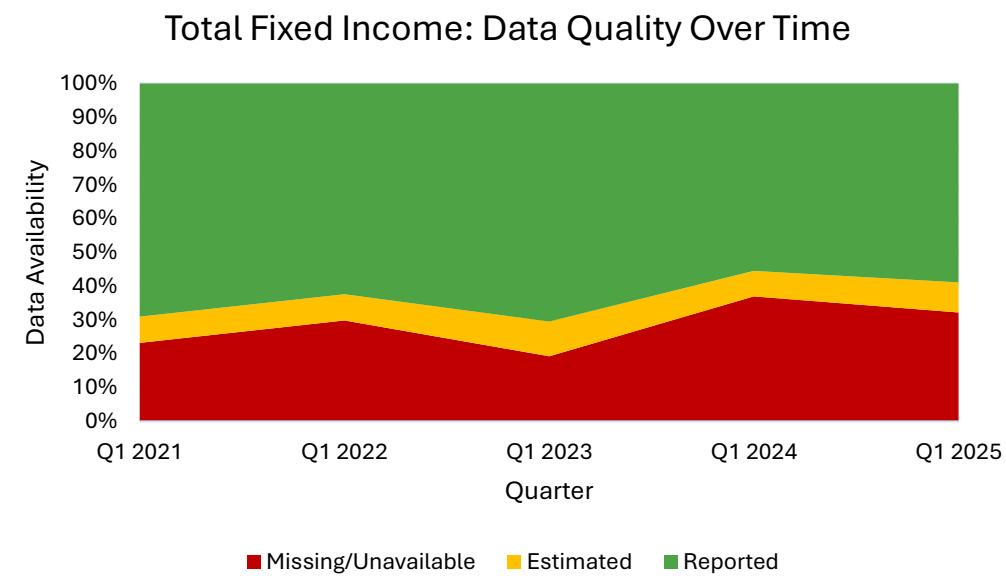
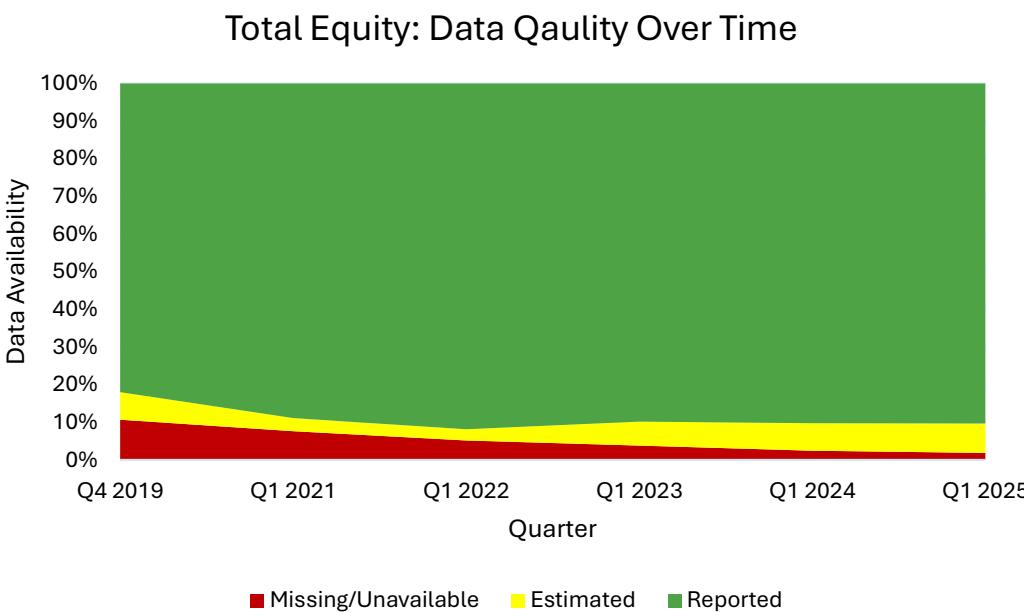
Implied temperature rise (in the year 2100 or later), if the whole economy had the same over-/undershoot level of greenhouse gas emissions to the issuer

An implied temperature rise below 2°C is required.



Data Quality and Availability

- In line with recommendations from the DLUHC TCFD consultation, we have categorised data quality as missing/unavailable, reported and estimated
- Data quality and availability provides an indication of the accuracy of the carbon metrics





Exposure Metrics

- The Climate Risk Management Report details portfolio exposure to:
 - Fossil Fuels
 - Thermal Coal
 - Clean Tech
- This is measured in two ways:
 - Absolute exposure
 - Exposure apportioned by portfolio company revenue

11

High Impact Sectors / Climate Solutions Exposures (Portfolio vs Benchmark)

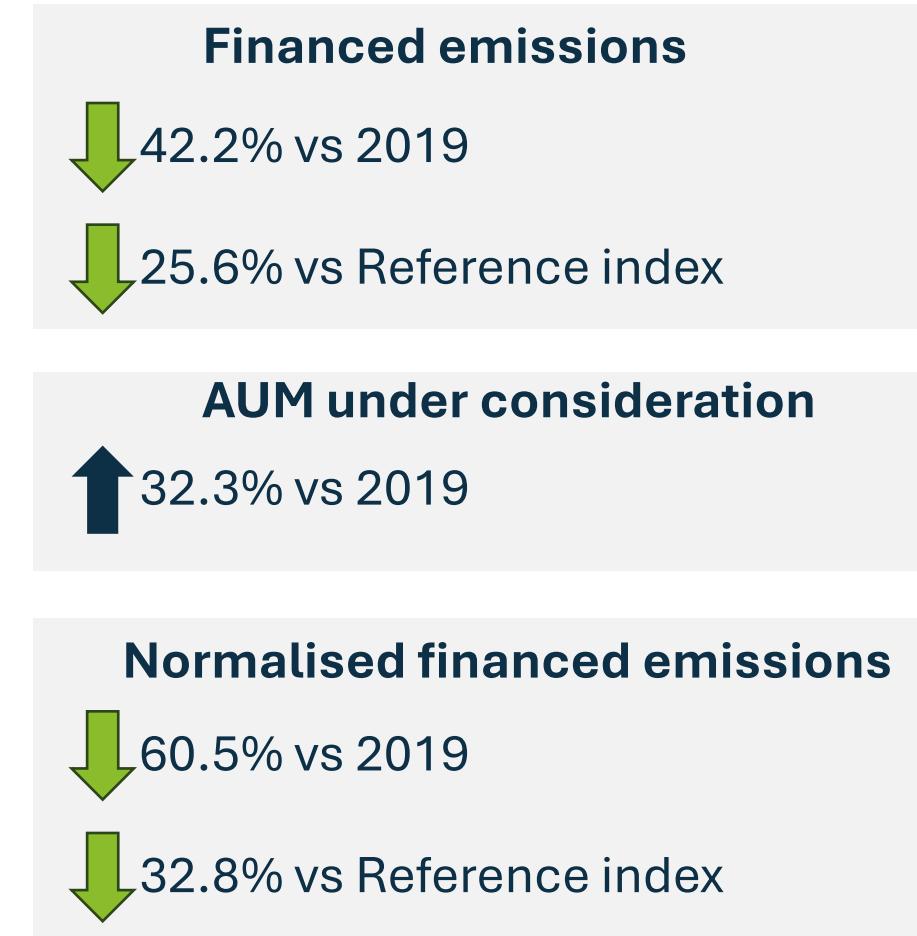
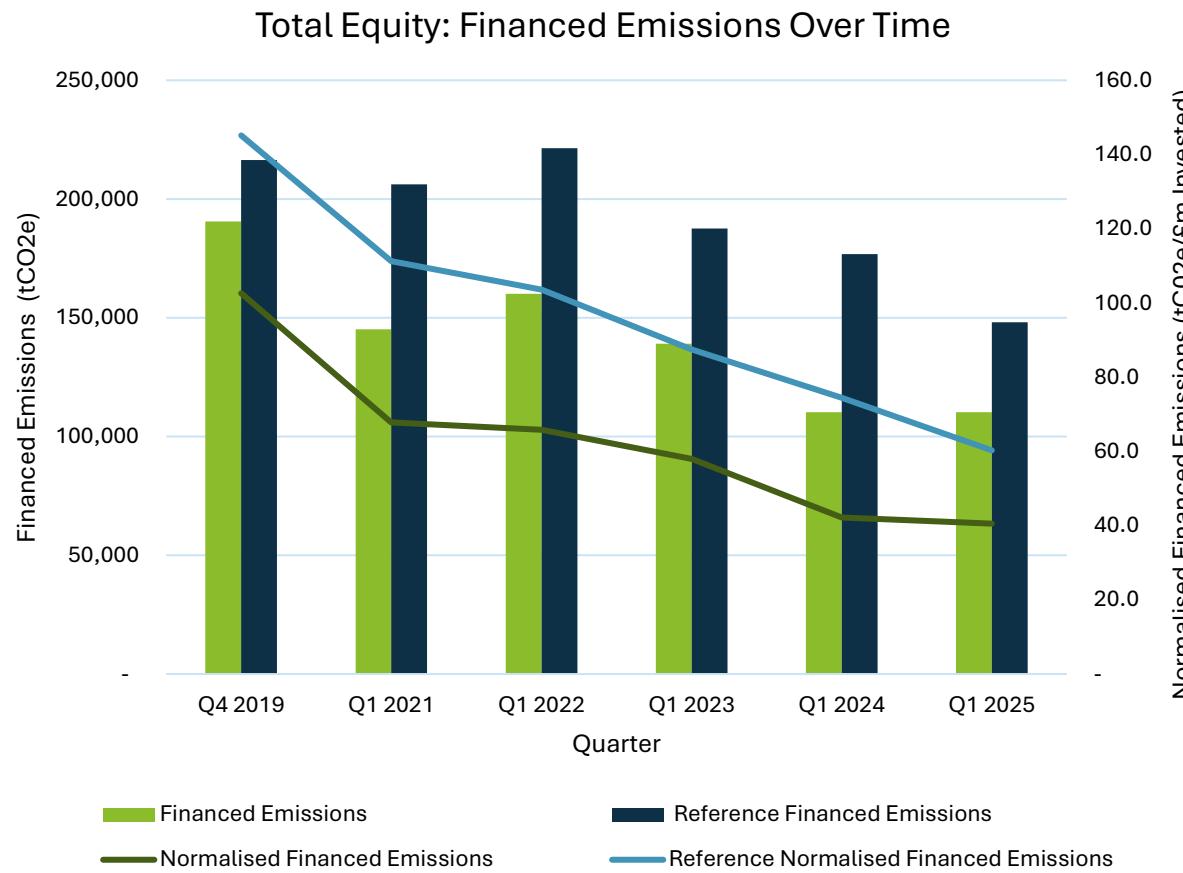


LPF's Climate metrics

12

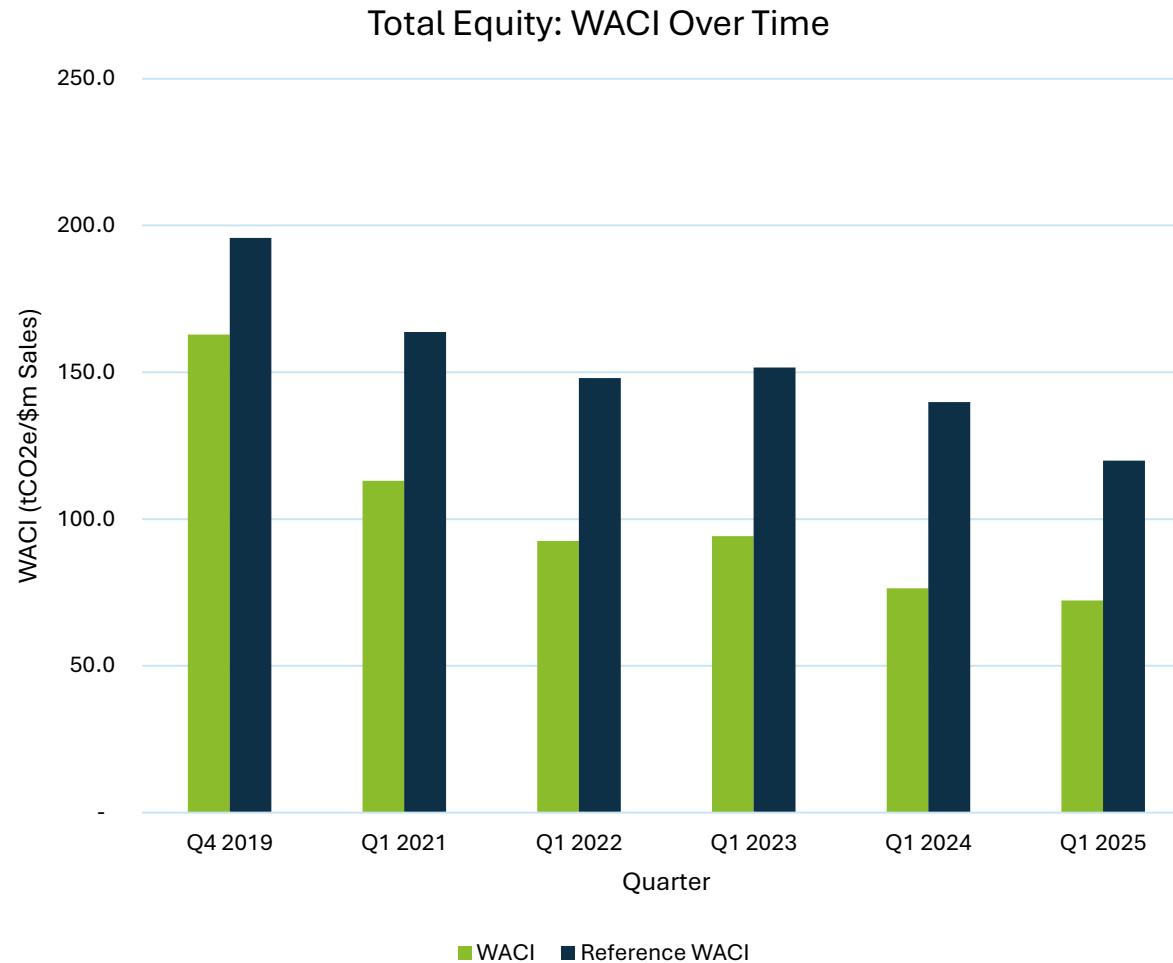


Climate Metrics Over Time – Listed Equities





Climate Metrics Over Time – Listed Equities



Weighted Average Carbon Intensity

55.6% vs 2019

39.8% vs Reference index



Progress on Climate Targets

Primary Targets		2019 (restated)	2025	
Financed Emissions	Progress	190,595 tCO ₂ e	110,250 tCO ₂ e	
Net zero by 2050, with an ambition for sooner. Reduce absolute carbon emissions of the equity portfolio by 40% by 2030.	On target	Financed emissions have decreased by 42.2% .		
		2019 (restated)	2025	
WACI	Progress	162.84 tCO ₂ e/\$m sales	72.2 tCO ₂ e/\$m sales	
Reduce carbon intensity of the equity portfolio by 50% by 2030.	On target	Weighted Average Carbon Intensity has declined by 55.6% .		
Key Secondary Target		2023	2024	2025
90% assets under management in material sectors to be classified as net zero, aligned or aligning by 2030.	Material sector AUM	£2.3 billion	£2.5 billion	£2.6 billion
	Material sector AUM aligned/aligning	£1.6 billion	£1.6 billion	£1.7 billion
	Proportion of AUM aligned/aligning	68.3%	64.2%	64.5%

*Target only includes listed equities

Thank you for listening

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All information is prepared as of 30/10/2025.

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