



LGPS Central Limited

# 2025 Climate Risk Management Report

Presented by LGPS Central Limited

# Agenda



Introduction to Climate Risk and Climate Reporting	Climate Risks and Climate Reporting
	Cause and Effect: Double Materiality
Introduction to Climate Metrics	Greenhouse Gas Emission Scopes
	Financed Emissions and Carbon Intensity
	LGPS Central Net-Zero Alignment Methodology
	Data Quality and Availability
LPF's Climate Metrics	Exposure Metrics
	Climate Metrics Over Time – Listed Equities

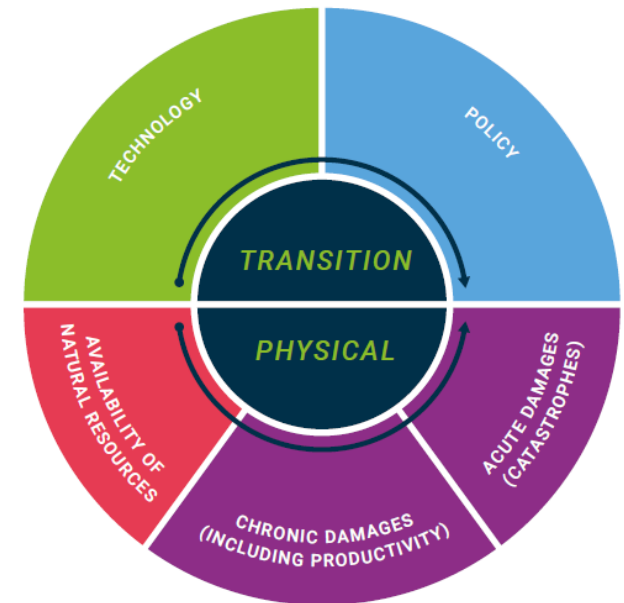
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# Introduction to Climate Risks and Climate Reporting



# 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.



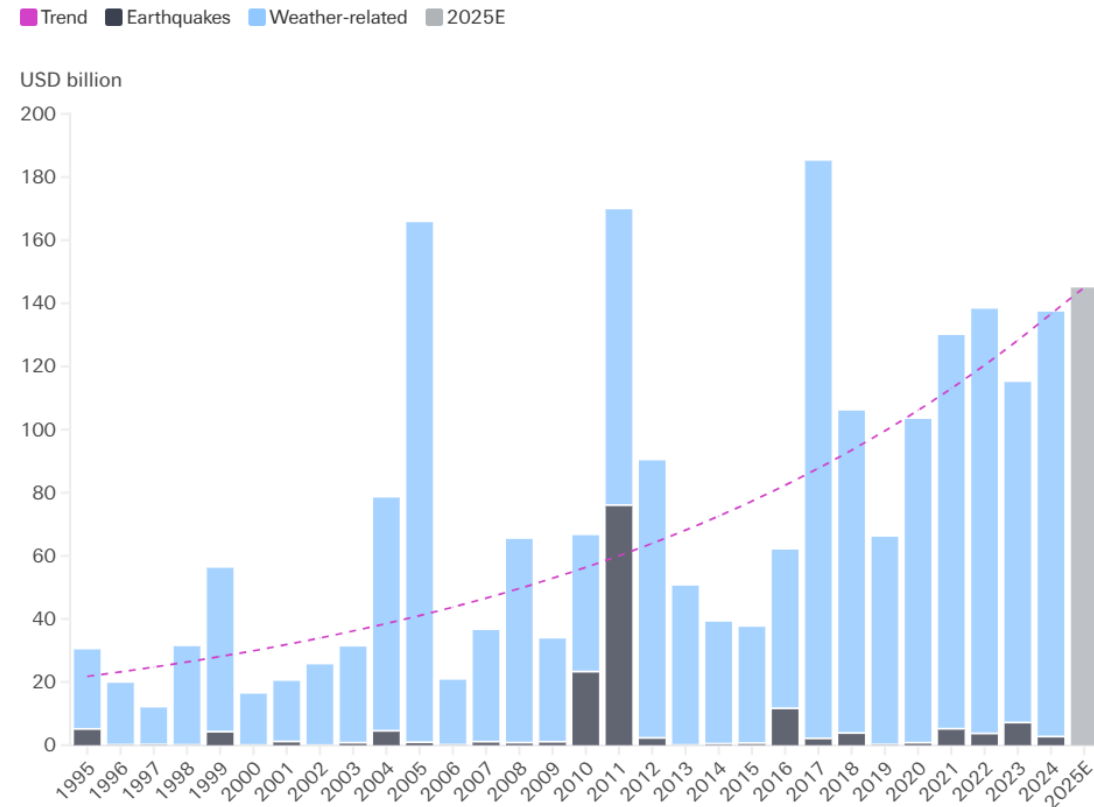




# The materiality of climate change (1)

- Annual extreme weather events have increased 6x in their frequency and costs to the insurance industry since 1980<sup>1</sup>.
- Impacts the affordability of insurance and property & infrastructure valuations.
- \$1.47 trillion of US property value at risk in next 30 years<sup>2</sup>.

## 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](#)

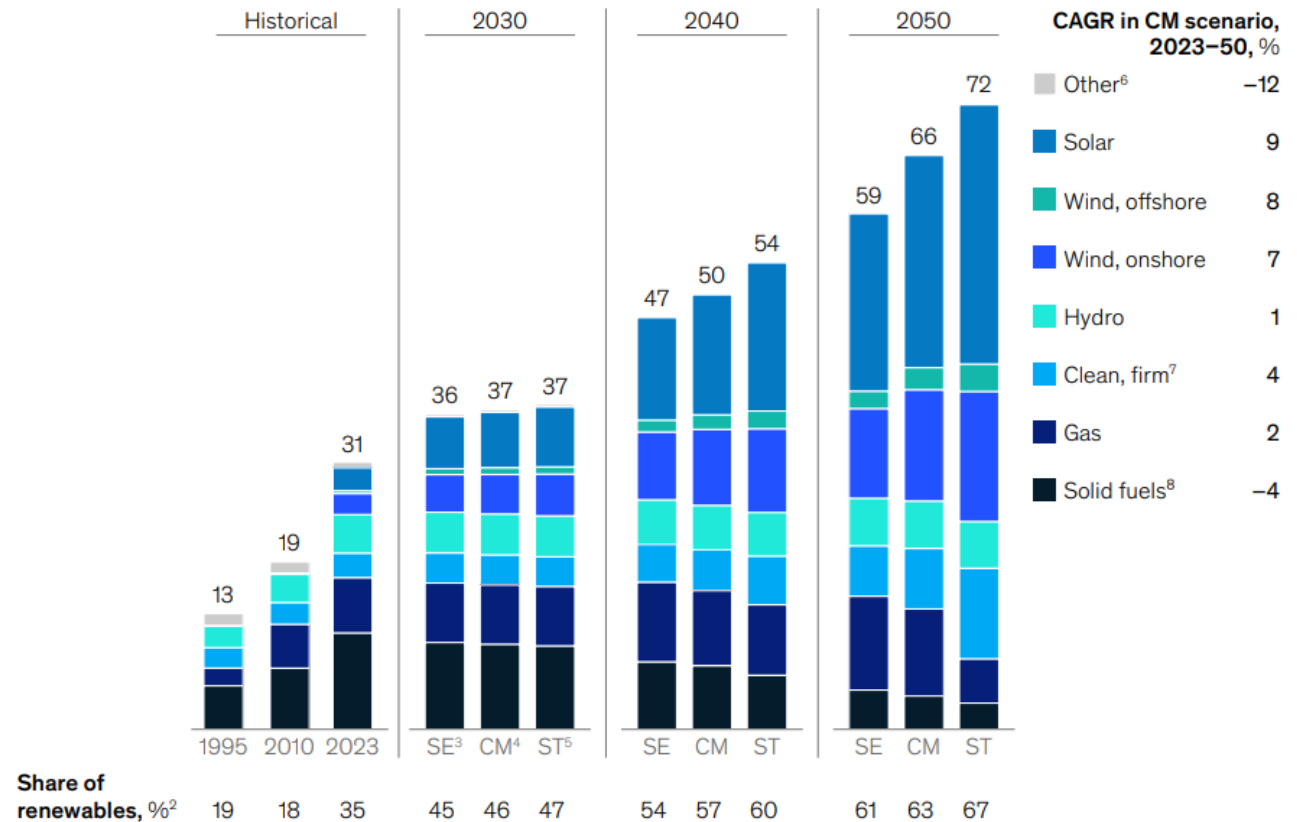
Source: Swiss RE Institute



# The materiality of climate change (2)

- Global demand for electricity expected to grow by 40~50% by 2035<sup>1</sup>.
- Oil demand is largely dependent on the outlook for electric vehicles<sup>2</sup>.
- Gas demand in 2050 scenarios varies from +20% to -55%<sup>3</sup>.
- 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)<sup>4</sup>



SE = Slow Evolution, CM = Continued Momentum, ST = Sustainable Transformation

# 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

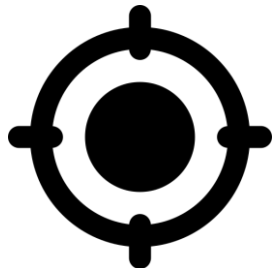


## Low Carbon Transition Score

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

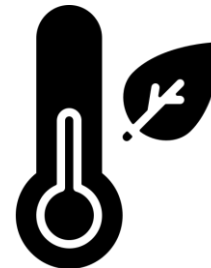
Score of more than 5 required.

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## 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

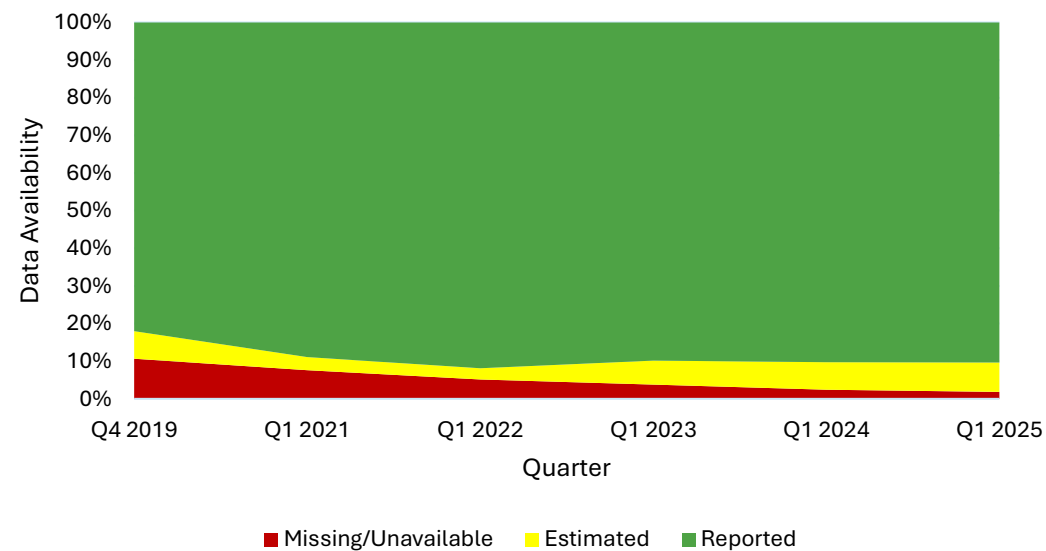
An implied temperature rise below 2°C is required.



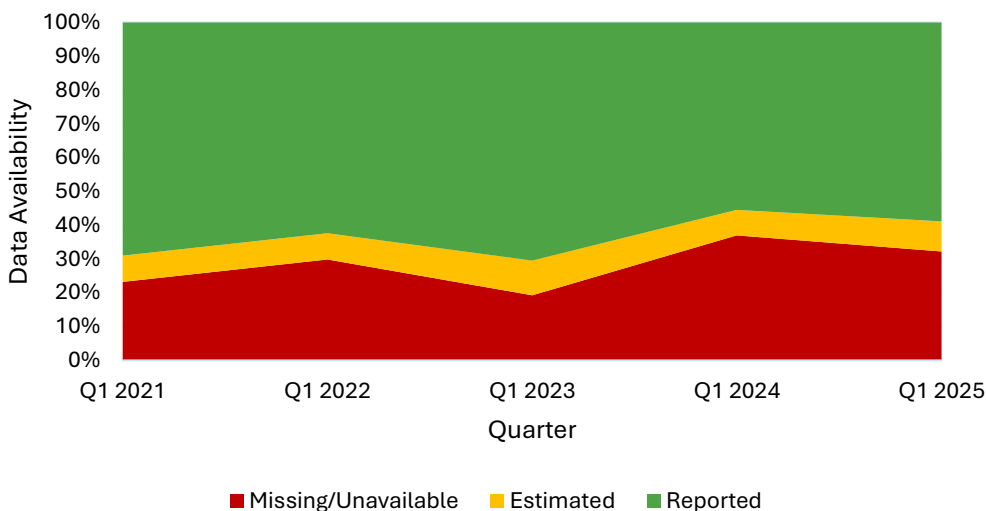
# Data Quality and Availability

- 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

Total Equity: Data Qaulity Over Time



Total Fixed Income: Data Quality Over Time





# 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

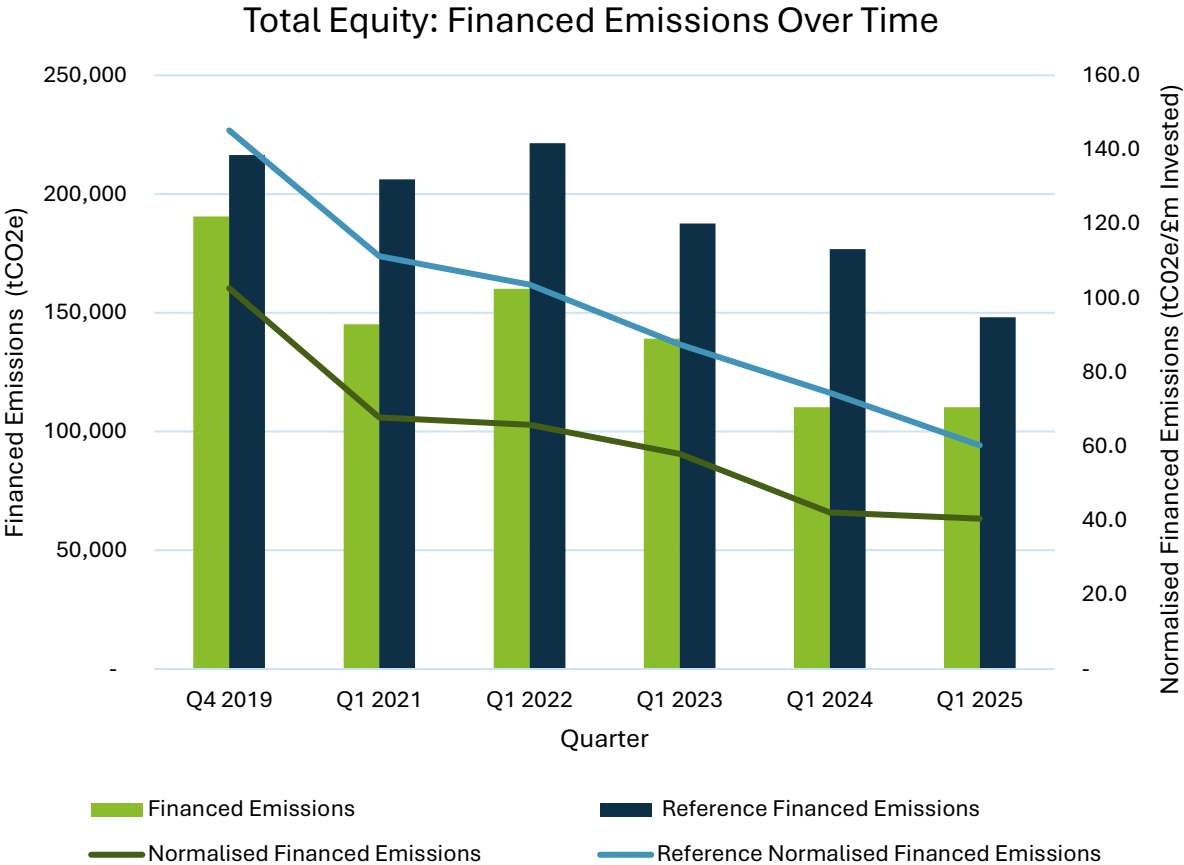
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# LPF's Climate metrics



# Climate Metrics Over Time – Listed Equities



**Financed emissions**

↓ 42.2% vs 2019

↓ 25.6% vs Reference index

**AUM under consideration**

↑ 32.3% vs 2019

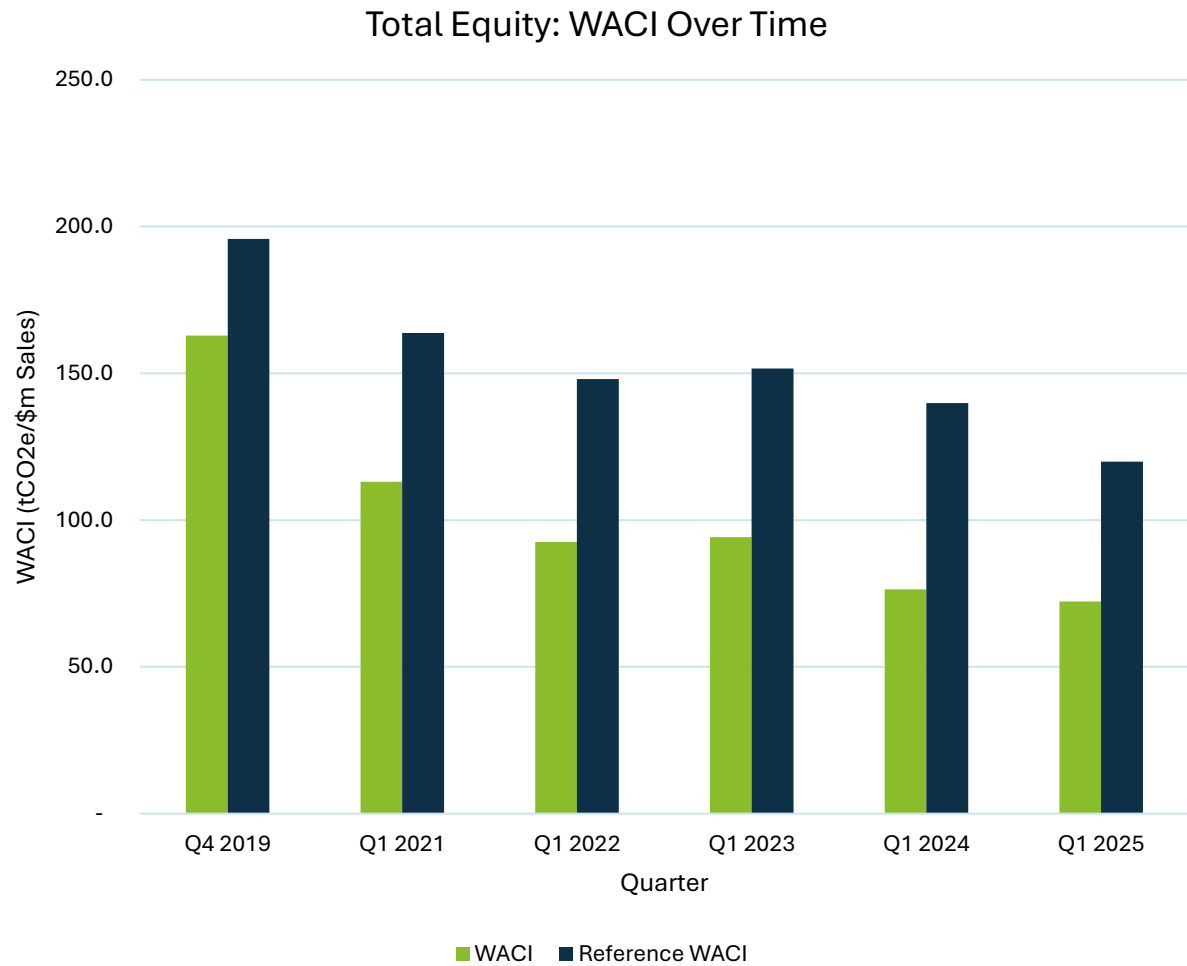
**Normalised financed emissions**

↓ 60.5% vs 2019

↓ 32.8% vs Reference index



# 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 <sub>2</sub> e	110,250 tCO <sub>2</sub> 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 <b>42.2%</b> .	
		2019 (restated)	2025
WACI	Progress	162.84 tCO <sub>2</sub> e/\$m sales	72.2 tCO <sub>2</sub> e/\$m sales
Reduce carbon intensity of the equity portfolio by 50% by 2030.	On target	Weighted Average Carbon Intensity has declined by <b>55.6%</b> .	

## 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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