Staffordshire Pension Fund
Local Government Pension Scheme

Staffordshire Pension Fund Climate-Related Disclosures

Report prepared in alignment with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD)

June 2024

www.staffspf.org.uk

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 exceed 4,000 organisations representing a market capitalisation of over $27 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 to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances. Examples of well-known pension funds that were early adopters of the TCFD recommendations include AP2, NEST, PGGM, RPMI Railpen, The Pensions Trust, and Environment Agency Pension Fund.

In September 2022, the Department of Levelling Up, Housing and Communities (DLUHC) released a consultation document, seeking views on proposals for LGPS Administering Authorities (AAs) to manage and report on climate risks in line with TCFD. This policy is still in the consultation stage.

Figure 1: TCFD Disclosure Pillars

Staffordshire Pension Fund ('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 long-term investor with investments diversified across asset classes, regions and sectors, the Fund is a "universal owner". It is in the best interests of the Fund that the market can effectively price climate-related risks and that policymakers are able to address market failure. The Fund believes that TCFD-aligned disclosure from asset owners, asset managers, and corporates, is in the best interest of beneficiaries.

About this report

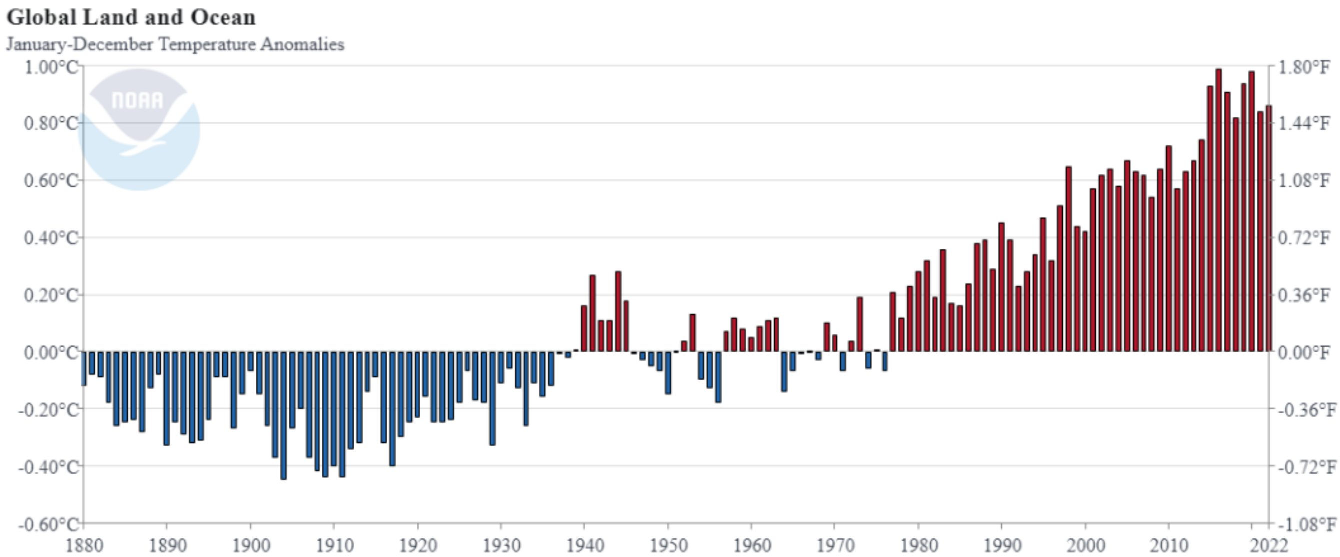
This report is the Fund's fourth TCFD report and describes the way in which climate-related risks are currently managed. Since March 2021, four Climate Risk Management Reports have been received from the Fund's pooling company, LGPS Central. These reports provide an in-depth review of the Fund's exposure to and management of climate risks and are used to inform the Fund's Climate Change Strategy.

This TCFD report discloses the most recent Carbon Risk Metrics Analysis and includes a gap analysis of the Fund's policies and disclosures relating to the four pillars of the TCFD.

Climate-related risks

Human activities are estimated to have caused approximately 1.1°C of global warming above pre-industrial levels[1]. Most of this warming has occurred in the past 35 years, with each of the ten warmest years between 1880 and 2022 taking place over the last 12 years[2]. 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: Global Land and Ocean Temperature Anomalies (1880-2022)[2]



[1] IPCC_AR6_SYR_SPM.pdf
[2] Annual 2022 Global Climate Report | National Centers for Environmental Information (NCEI) (noaa.gov)

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 of 2015 (COP21), which reflects a collective goal to hold the increase in the climate's mean global surface temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

Taskforce on Climate-related Financial Disclosures

The following sections describe how the Staffordshire Pension Fund demonstrates its alignment with the four recommended disclosures (also detailed in Appendix 1) based on the TCFD framework.

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 Policy Statement. Overall responsibility for managing the Fund lies with the full Council of Staffordshire County Council, which has delegated the management and administration of the Fund to the Staffordshire Pensions Committee and Pensions Panel.

The Pensions Committee is responsible for approving the Investment Strategy Statement (ISS) and Climate Change Strategy. The ISS includes a formal investment belief on climate change, recognising it as a factor that could materially impact financial markets. The Climate Change Strategy is premised on 10 beliefs about climate change, which consider the science behind climate change, the energy transition and climate stewardship.

The Pensions Committee and the Pensions Panel each meet quarterly. The Pensions Panel receives quarterly engagement and voting reports from its stewardship providers, LGPS Central, the Local Authority Pension Fund Forum (LAPFF) and external investment managers, as regular items on the meeting agenda. Reports from the Fund's investment adviser, which include advice on responsible investment, are also received regularly.

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 Assistant Director for Treasury and Pensions has primary day-to-day responsibility for the way in which climate-related investment risks are currently managed and, where appropriate, LGPS Central assists in assessing and managing climate-related risks. As detailed in the Climate Change Strategy, the Fund leverages partnerships, and initiatives, including the Institutional Investors Group on Climate Change (IIGCC), to identify and manage climate risk. The Assistant Director for Treasury and Pensions and the Fund's Senior Officers are accountable to the Pensions Committee for delivery of the Climate Change Strategy.

As a predominantly externally managed fund, the implementation of much of the management of climate-related risk is delegated to a range of appointed investment managers. These external investment managers are monitored on a regular basis by the Pensions Panel.

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 varied and constantly evolving. A subset of risk factors are presented in Table 1.

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

Risk	Transition/ Physical	Time Horizon	Impact Area	Mitigation Strategy
Policy Changes (Including Carbon Pricing)	Transition	Short Medium Long	Across investments and funding Investments in carbon-intensive industries Operational	• Monitor potential regulatory changes (domestic and international) and consider impact of these changes on the Fund's investments and operations. • Monitor investment managers' preparedness and awareness of changing carbon prices across relevant markets. • Consider impact of likely policy changes in strategic decisions.
Technological Change	Transition	Short Medium Long	Across Asset Classes	• Monitor potential technology disruptors. • Monitor investment manager awareness of emerging and disruptive technologies. • Consider impact of these changes in strategic decisions.
Extreme Weather Events	Physical	Short Medium Long	Physical Assets Corporate Holdings	• Carry out climate scenario analyses to assess impact. • Monitor portfolio company's assessments of extreme weather impacts on their operations.
Resource Scarcity	Physical	Medium Long	Physical Assets	• Monitor investment manager awareness of resource scarcity. • Special consideration to agricultural holdings.

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 sea level rises affecting coastal infrastructure assets or supply chain impacts for companies because of severe weather events.

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.

The Fund's Climate Change Strategy sets out the Fund's approach to managing the impact of climate-related risks. The main management techniques within the Fund's investment strategy are below:

1. Integrate climate change considerations into the complete investment process through the selection, due diligence, monitoring, and stewardship of assets, either directly or through the Fund's appointed investment managers, with the aim of decarbonising the entire investment portfolio.

2. Access the best possible climate change data available, to be able to assess climate risks and opportunities and facilitate informed decision making.

3. Work collaboratively with other investors and organisations to improve the quality, relevance and availability of climate-related data and encourage alignment with the 2015 Paris Agreement.

As most of the Fund's investments are managed externally, responsible investment and climate change considerations form part of the selection and appointment process and are regularly discussed with investment managers on an ongoing basis.

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 and 2022, 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 included estimations of the annual climate-related impact on returns (at the fund and asset-class level) and all asset classes were included in this analysis. The climate scenarios considered were; Rapid Transition, Orderly Transition and Failed Transition. This analysis is carried out every 2 to 3 years and a summary of the results of the 2022 analysis are provided in Graph 1.

The scenarios are defined according to the change since pre-industrial times in mean global surface temperatures. The Rapid Transition scenario is characterised by sudden divestments in 2025 to align portfolios to the Paris Agreement goals. The Orderly Transition scenario represents an early and smooth transition, with the markets pricing-in dynamics occurring gradually over four years. A Failed Transition scenario represents a scenario in which society makes no attempt to limit global warming, with severe physical and extreme weather events and the markets pricing in these risks.

The analysis showed that over the long-term, a successful transition is imperative for the Fund as asset allocations fare better under the Rapid and Orderly Transition scenarios versus the Failed Transition. This is also true for nearly all investors as a successful transition leads to enhanced projected returns when compared to scenarios associated with higher temperature outcomes due to lower physical damages.

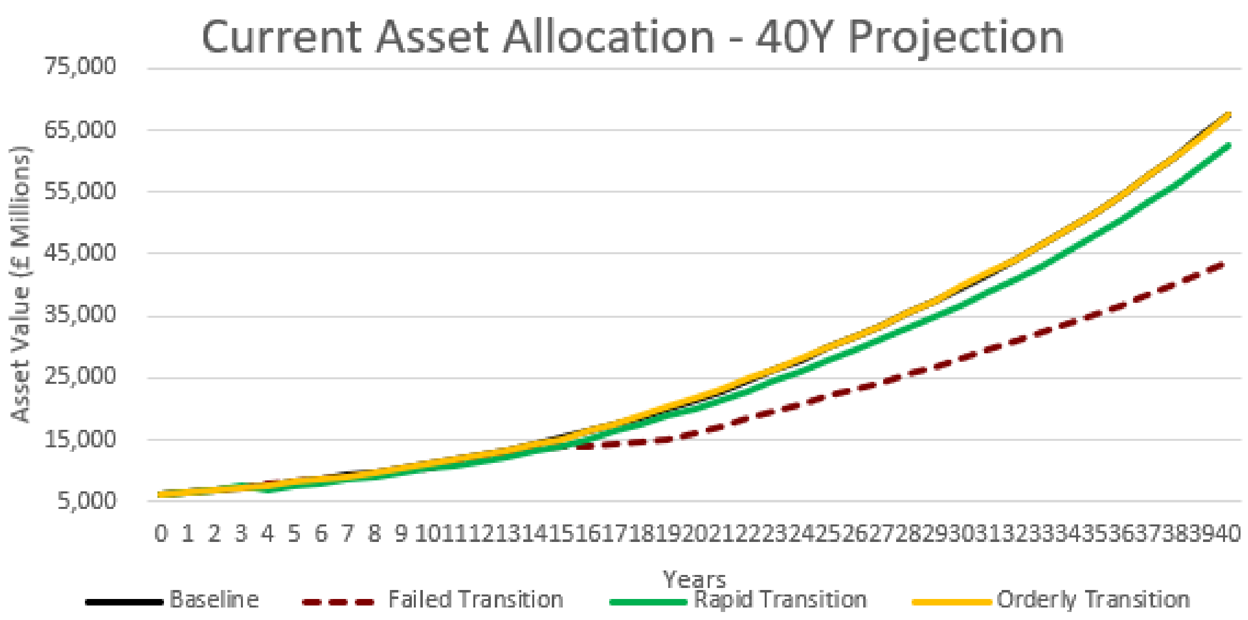
The analysis concluded with several key recommendations. These included, that the Fund continues with the development of its net zero strategy, it keeps its commitment to sustainable equity allocations under review, and that it works with fund managers to understand how they assess and monitor climate risk.

As part of the Actuarial Valuation at 31 March 2022, the Fund's Actuary, Hymans Robertson, also carried out climate scenario analysis on the impact of three different climate scenarios, on the Fund's funding level. The scenarios were referred to as "Green Revolution", "Delayed Transition" and "Head in the Sand". The first scenario includes concerted policy action starting now as well as transition risks in the short term, but less physical risk in the long term. The second scenario includes no significant action in the short-term, meaning the response must be stronger when it does happen, and greater (but delayed) transition risks but similar physical risks in the long term. Finally, the last scenario includes no or little policy action for many years and transition risks exceeded by physical risks. The first two scenarios are referred to as being Paris aligned scenarios. Further details regarding these scenarios can be found in Hymans Robertson's 2022 Valuation Toolkit[3], while the full published analysis and results can be found in Staffordshire Pension Fund's Report on the actuarial valuation at 31 March 2022, available on the Fund's website at www.staffspf.org.uk.

It should be noted that translating climate scenario analysis into an investment strategy is a challenge for several reasons. Firstly, there is a wide range of plausible climate scenarios with significantly different and far-reaching consequences. Secondly, the probability of any given scenario is hard to determine, and especially so when considering longer time horizons. Finally, the best performing sectors and asset classes in an orderly scenario tend to be the worst performers in a failed scenario and vice versa. This makes strategic recommendations particularly challenging. Despite the challenges, the Fund believes in seeking out the best available climate-related research to make its portfolio as robust as possible.

[3] LGPS_2022_Valuation_Toolkit.pdf (hymans.co.uk)

Graph 1: Cumulative Return Projections by Climate Change Scenario[4].



Risk Management

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

The Fund seeks to identify and assess climate-related risks at the total fund level and at an individual asset level. The Fund's Climate Risk Management Reports include a combination of both top-down and bottom-up analysis. 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 to enable them to be compared to other investment risk factors (see 'Carbon footprint/weighted average carbon intensity (WACI)' explanation in the Glossary for further detail).

[4] Extract above from Mercer Limited's (Mercer) report "Climate Change Scenario Analysis" dated January 2023 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Staffordshire 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.

As Fund investments are predominantly externally managed, the identification and assessment of climate-related risks is also the responsibility of individual external investment managers appointed by the Fund, who are monitored on a regular basis.

Engagement activity is also conducted with investee companies through selected stewardship partners including LGPS Central, EOS at Federated Hermes, and LAPFF, in addition to that carried out by external investment managers.

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

The Fund manages climate risk in different ways according to the nature, duration, magnitude, and time horizon of the risk itself. As set out in the Fund's Climate Change Strategy, the main management techniques are integrating climate change considerations, accessing the best possible climate change data available, and working collaboratively with other investors.

A key element of the Fund's approach to the management of climate risk is the ongoing monitoring of its external managers. For all funds managed by LGPS Central, climate change and other Environmental, Social and Governance (ESG) considerations form a major part of the selection and due diligence process. With ongoing monitoring of existing managers.

Engagement and shareholder voting are important aspects of the Fund's approach to managing climate risk. The Fund expects all investee companies to manage material risks, including climate change, and 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+ (CA100+) initiative, which aims to ensure 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. In September 2020, CA100+ introduced a benchmark framework which identifies ten key indicators of success for business alignment with a net zero carbon emissions future and goals of the Paris Agreement. This benchmark framework was updated during March 2023 to the Benchmark 2.0, providing additional company assessments, including assessments on each company's just transition credentials.

Either through its own membership or indirectly through LGPS Central, the Fund has several engagement partners that engage investee companies on climate risk, as per Table 2.

Table 2: 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 with companies on the Fund's behalf, including via the Climate Action 100+ initiative.
Federated Hermes	EOS at Federated Hermes is appointed by LGPS Central to expand the scope of the engagement programme, especially to reach non-UK companies.
Local Authority Pension Fund Forum	The Fund 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.

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 external investment managers. For Fund assets managed by LGPS Central, 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. For Fund assets managed by appointed external investment managers, votes will be cast in line with their own voting and responsible investment policies and in-line with industry best practice as set out in accepted governance codes.

The results of engagement and voting activities by all the Fund's external investment managers are reported to the Fund and reviewed quarterly by the Pensions Panel through a specific Responsible Investment and Engagement Report. LGPS Central's activities are reported in Quarterly Stewardship Updates and also reported quarterly to the Pensions Panel.

Based on the findings of the Fund's Climate Risk Management Report, the Fund is able to identify the 10 largest contributors to its overall carbon footprint, determined by contribution towards both WACI and Financed Emissions. The Fund can use this information to inform engagement decisions, although it is important to recognise that carbon figures alone should be accompanied by a contextual awareness of the company's approach to decarbonisation and net zero. For example, companies such as NextEra are significant emitters but also key investors in clean energy.

Table 3: The 10 largest contributors to the Fund's carbon footprint

Issuer	PF Weight	Ref Weight	% of Financed Emissions	Contribution to Financed Emissions Rank	% WACI	Contribution to WACI Rank
Linde PLC	0.6%	0.3%	3.8%	4	9.3%	1
Conocophillips	0.4%	0.2%	1.6%	10	2.3%	4
Shell PLC	0.3%	0.4%	5.1%	1	1.6%	8
Exxon Mobil Corporation	0.3%	0.8%	2.3%	6	1.2%	12
CRH PLC	0.2%	0.1%	3.9%	3	2.0%	6
Nextera Energy, inc.	0.1%	0.2%	0.6%	28	3.7%	2
Holcim AG	0.1%	0.1%	4.8%	2	3.0%	3
RWE Aktiengesellschaft	0.1%	<0.1%	3.5%	5	2.2%	5
Heidelberg Materials AG	<0.1%	<0.1%	1.8%	8	0.8%	17
NTPC limited	<0.1%	<0.1%	1.3%	11	1.4%	11

The Fund aims to engage with the highest contributors to its carbon footprint through its investment managers, LGPS Central, EOS at Federated Hermes, and LAPFF. The Fund believes that all companies should align their business activities with the Paris Agreement on climate change.

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 Pensions Committee and Pensions Panel. The Fund recognises the "failure to follow responsible investment principles" as a key risk in the Funding Strategy Statement (FSS), and while specific macro-economic risks are not usually included in isolation, the Fund has included climate risk in its Risk Register.

Climate risk is further managed through the Fund's Climate Change Strategy.

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 receives annual reports from LGPS Central which set out the carbon risk metrics for its listed equities and fixed income portfolios. The poor availability of data in unlisted asset classes prevents a more complete analysis currently. The carbon risk metrics analysis includes:

- Absolute Emissions (measured by 'Financed Emissions').
- Emissions Intensity (measured by 'Normalised Financed Emissions' and 'Weighted Average Carbon Intensity', or WACI).
- Data Quality.
- 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.

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

In considering its carbon risk metrics, the Fund remains aware of the limitations of the available metrics and the underlying datasets. There are certain data gaps caused by companies failing to report greenhouse gas (GHG) data, or by companies reporting unreliable GHG data. In such cases the GHG data must be estimated, and different suppliers of GHG datasets might have different methodologies for making such estimations, leading to potential discrepancies between data providers for the same company or portfolio of companies. The results should, therefore, be treated with some degree of caution. Despite the potential pitfalls, the Fund has resolved to integrate the consideration of carbon risk metrics within the Fund's overall framework of risk management, whilst remaining conscious that the results are primarily useful in enabling the Fund to reach broad conclusions, to enable risk management measures to be prioritised and to enable a broad direction of travel and progress to be assessed.

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 is available or can be reasonably estimated, for each fund or investment strategy.

In line with the TCFD guidance and following receipt of a Climate Risk Management Report from LGPS Central, Table 4 below shows the carbon metrics relating to the

Total Equity portfolios for the Fund at 30 September 2023[5] (see Appendix 2 for further explanation of the risk metrics below).

Table 4: Carbon risk metrics for the equity portfolio at 30 September 2023[6]

	2023	Reference Index	Difference
Financed Emissions (tCO_2e)	159,723	282,391	-43.4%
Weighted Average Carbon Intensity (tCO_2e/$m revenue)	76.4	136.5	-44.0%
Weight in Fossil Fuel Reserves (%)	4.3%	7.8%	-3.5pp
Weight in Fossil Fuel Reserves by Revenue (%)	2.2%	3.7%	-1.5 pp
Weight in Thermal Coal Reserves (%)	1.5%	2.8%	-1.3 pp
Weight in Clean Tech (%)	39.3%	40.5%	-1.2 pp
Weight in Clean Tech by Revenue (%)	6.0%	6.1%	-0.1 pp
Weighted Average Data Quality	2.1		

The Fund's Financed Emissions (Scope 1 and 2) is approximately 43.4% lower than the reference index, while the Fund's WACI is approximately 44.0% lower than that of the reference index.

The Fund's Equities have lower exposure to both fossil fuel reserves and thermal coal reserves in comparison to the reference index, as measured in both absolute terms and apportioned by revenue. The portfolio has lower exposure to clean tech. However, exposure to clean tech apportioned by revenue is only 0.1 percentage point (pp) lower than that of the reference index, despite being 1.2 pp lower when considering absolute exposure.

Whilst the Fund's carbon risk metrics results show the Fund generally 'outperforms' its reference index, 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.

[5] Analysis undertaken on the listed equities portfolios with holdings data as of 30th September 2023. The information in Table 4 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.

[6] Certain information ©2023l MSCI ESG Research LLC. Reproduced by permission.

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

To ensure that the Fund remains on track to achieve its long-term net zero climate objective in 2050, a series of interim climate related targets for 2030 have also been set within the Fund's Climate Change Strategy. The Fund's targets are measured against a baseline date of 31 March 2020, as reported in the Fund's 2021 TCFD Report.

A progress update against the Fund's targets as of 30th of September 2023 is provided in Table 5 below.

Table 5: 2030 Climate Change Strategy targets - September 2023 update

2030 Climate Target	September 2023	Change from March 2020
Reduce the Weighted Average Carbon Intensity (WACI) of the Fund by 50-60% by 2030.	76.4	-55.8%
Reduce the proportion of the Fund invested in Fossil Fuels reserves to less than 4% by 2030.	4.3%	-1.0 pp
Reduce the proportion of the Fund invested in thermal coal to below 1% by 2030.	1.5%	-0.1 pp
Increase the proportion of investments where carbon metrics are reported to over 95% by 2030[7].	94.1%	N/A[8]

7 Where climate data is captured, calculated, and provided by the investee companies/manager, rather than estimated by the fund/data provider.

8 This target is not measured relative to a 2020 baseline.

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, and sustainable water.

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

Data quality: Companies are assigned a data quality score between 1 and 5. 1 is the most preferable score and is assigned when a company's climate data is audited reported data, while a score of 5 refers to estimated data with limited support.

Engagement: dialogue with a company concerning aspects of its strategy, governance, policies, and practices. 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.

Financed emissions: The absolute tons of CO_2 for which an investor is responsible. Calculated by multiplying, the ratio of investment in a company versus its total value, by the company's total emissions.

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.

Carbon footprint/weighted average carbon intensity (WACI): A proxy for a portfolio's exposure to potential climate-related risks. It is calculated by the addition of each portfolio companies carbon intensity (tCO2e/USDm revenue), weighted by its size (%) in a portfolio.

Scope 1 greenhouse gas (GHG) emissions: Direct emissions from an 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 (GHG) emissions: Indirect emissions from the generation of purchased energy.

Scope 3 greenhouse gas (GHG) emissions: Indirect emissions that are not controlled by the institution but occur because of that institution's 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 January 2023 prepared for and issued to LGPS Central Limited for the sole purpose of undertaking climate change scenario analysis for Staffordshire 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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