



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Richard McIndoe, Director

**Item 3**

18<sup>th</sup> March 2026

### Climate Change Strategy - Climate Transition Plan

#### Purpose of Report:

To:

- provide an update on progress of the Strathclyde Pension Fund (SPF) climate change strategy; and
- present a 2026-2029 Climate Transition Plan.

#### Recommendations:

The Committee is asked to:

- **NOTE** progress on the climate change strategy; and
- **APPROVE** the **attached** 2026-2029 Climate Transition Plan.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes  No  consulted: Yes  No

#### **PLEASE NOTE THE FOLLOWING:**

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## 1 Background

The committee agreed the current Climate Action Plan at its meeting on 1<sup>st</sup> March 2023. The Plan has a 3-yearly implementation and review cycle, consistent with SPF's triennial cycle of planning and review.

Review of the current Plan is included as a priority in the 2025/26 SPF Business Plan.

Further details of the background to the 2023 Climate Action Plan are included at **Appendix A**.

## 2 Review

As summarised in the 2025/26 SPF Business Plan, the review was to include consideration of:

- progress to date;
- TCFDs (Climate-related Financial Disclosures);
- TNFDs (Nature-related Financial Disclosures);
- the revised Net Zero Investment Framework "NZIF 2.0";
- future alignment and targets.

The following report provides an update on each of these items and presents a 2026-2029 Climate Transition Plan for approval.

## 3 Progress to Date

Progress to date against the 2023 Plan has been excellent. In summary:

- all priorities set out for the first iteration of the Plan have been addressed and achieved;
- the 2030 Interim Target for carbon reduction has already been achieved within the Fund's listed equity portfolios;
- fair share pathway analysis shows a reasonably strong downward trend with some portfolios (in particular passive equity and bonds) well below 1.5° pathway as a result of actions taken under the 2023 Plan and
- good progress has also been made against the alignment goal, the engagement goal, the climate solutions goal and in the wholly SPf-owned UK property portfolio.

Further details are provided in **Appendix B** and in the new Climate Transition Plan.

## 4 Task Force on Climate-related Financial Disclosures (TCFDs)

SPF implemented [TCFD](#) reporting in 2018/19 and continues to use the framework as the foundation for climate change disclosures in its [annual report](#). TCFD remains the widely accepted framework for consistent, transparent reporting of climate-related financial risks and opportunities. Many jurisdictions, including the UK, continue to mandate TCFD-aligned reporting for companies and private pension schemes. It remains best practice for LGPS.

In October 2023, the TCFD officially disbanded, having fulfilled its remit.

The NZIF recommends that investors assess and disclose climate-related financial risks in line with legal obligations, fiduciary duties, and industry best practice (e.g., TCFD and ISSB). To comply with this, SPF will continue to use TCFD as the basis for climate reporting unless or until it is superseded by another framework.

## **5 Taskforce on Nature-related Financial Disclosures (TNFDs)**

[TNFD](#) is a more recent framework, with final recommendations and guidance launched in September 2023. Adoption has grown rapidly, with 733 organisations covering over USD 9 trillion in market capitalisation and over USD 22 trillion in assets under management (AUM). In the UK, 29 financial institutions have committed to TNFD-aligned reporting, including two LGPS Pools, but no individual LGPS funds.

Nature-related financial disclosures present significant new challenges for investors. A key difficulty is the lack of standardised qualitative and quantitative data, making comparable reporting very challenging.

The International Sustainability Standards Board (ISSB) is currently drafting a dedicated nature-related disclosure standard. To avoid fragmentation, TNFD paused its technical work in late 2025 to support the ISSB in creating a global baseline. An Exposure Draft is expected by October 2026 (ahead of UNCCD COP17 in Mongolia), with a global nature-related standard anticipated in 2027.

SPF will continue to monitor developments and reconsider alignment with TNFD at a future date. In the meantime SPF will engage on nature related issues with investment managers and other parties, and will include nature-related disclosures alongside climate reporting wherever appropriate.

A number of SPF's investment managers, are participants in Nature Action 100. Nature Action 100 is a global investor-led engagement initiative focused on supporting greater corporate ambition and action to reverse nature and biodiversity loss.

SPF is a member of LAPFF (the Local Authority Pension Fund Forum). LAPFF is an active NA 100 participant, and advocates that natural resources, biodiversity and ecosystem services (the direct and indirect contributions ecosystems make to humans) are material factors for investee companies. Companies should therefore be acknowledging, considering and managing their impact and dependence on nature.

SPF will now consider whether it should itself join Nature Action 100.

## **6 NZIF 2.0**

The [Net Zero Investment Framework](#) (NZIF) is the most widely used guide by investors to set targets and produce related net zero strategies and transition plans. The first iteration of the Framework was introduced in 2019 and was the basis for SPF's Climate Action Plan 2023.

A revised version (NZIF 2.0) was published in June 2024. The updated Framework added asset classes not initially covered, in addition to some revised terminology and criteria. NZIF 2.0 has been used as the basis for SPF's Climate Transition Plan 2026/29.

## **7 Future Alignment and Targets**

Progress against SPF's Climate Action Plan 2023 has been excellent. However, indications are that further progress from here, whilst arguably ever more urgent, may also become increasingly difficult.

The UN Environment Programme's Emissions Gap Report 2025 estimates that global temperatures are likely to exceed 1.5°C above pre-industrial levels within the coming decade. And unified will to address this, certainly in the short term, is becoming less evident. Policy fragmentation, competing political priorities, technology-driven energy demand, investor pushback, and de-globalisation are all weakening momentum and increasing headwinds for the climate transition.

For SPF this is already reflected in certain aspects of the review of progress to date:

- some portfolios are currently well below their current fair share pathways;
- but overall this is not the case;
- and beyond 2030, there is an increasing gap in alignment between the indicative SPF pathway and the pathway required to achieve 1.5° maximum temperature rises.

Despite this, SPF has not weakened any of its targets in the revised plan, and has strengthened them where appropriate. However, achieving the targets will become increasingly difficult without significant future or real-world economic change. Whether the targets remain achievable will need to be considered as part of the next review of the Plan in 2029.

The 2023 Plan was based largely on climate risk mitigation. In the context of the current state of the climate transition, the new plan will place more emphasis on physical risk and adaptation in respect of SPF assets than the previous plan did.

## **8 Physical Risk & Adaptation**

Extreme heat, drought, wildfires and other extreme weather events are likely to become more intense and frequent. This presents a risk to physical assets.

Many companies will also be directly affected by the impacts of climate change. This will often give rise to material risks to their long-term profitability. Given this it makes long term financial sense for companies to proactively prepare. Climate change adaptation is about companies anticipating and preparing for the climate related changes that may be expected to happen. Solutions are likely to be very company or sector specific, but companies should be developing adaptation plans which set these solutions out in detail.

As part of its Climate Transition Plan 2023/29, SPF will increasingly engage on physical risk and adaptation with investment managers and other parties.

**9 Climate Transition Plan 2026/29**

SPF's Climate Transition Plan 2026/29 is attached to this report.

**10 Policy and Resource Implications**

**Resource Implications:**

*Financial:* None at this time.

*Legal:* None at this time.

*Personnel:* None at this time.

*Procurement:* None at this time.

**Council Strategic Plan:** SPF supports all Missions within the Grand Challenge of: ***Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.*** The LGPS is one of the key benefits which enables the Council to recruit and retain staff.

**Equality and Socio-Economic Impacts:**

*Does the proposal support the Council's Equality Outcomes 2025-29? Please specify.* N/a.

*What are the potential equality impacts as a result of this report?* No direct impact.

*Please highlight if the policy/proposal will help address socio-economic disadvantage.* A Just Transition is one of the objectives of SPF's Climate Transition Plan 2026/29.

**Climate Impacts:**

*Does the proposal support any Climate Plan actions? Please specify:* Yes.  
The proposal is to approve a revised Climate Action Plan for SPF.

*What are the potential climate impacts as a result of this proposal?* The proposal will contribute to SPF's net zero objective and target.

*Will the proposal contribute to Glasgow's net zero carbon target?* N/a.

**Privacy and Data Protection Impacts:**

Are there any potential data protection impacts as a result of this report Y/N No.

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out N/a.

**11 Recommendations**

The Committee is asked to:

- NOTE progress on the climate change strategy; and
- APPROVE the attached 2026-2029 Climate Transition Plan.

**Appendices**

- A Background to SPF 2023 Climate Action Plan**
- B Review of Progress against 2023 Climate Action Plan**

**Attachment**

**SPF Climate Transition Plan 2026/29**

## Background to SPF 2023 Climate Action Plan

- 1 The SPF Committee has considered a number of previous reports, and agreed a number of recommendations, regarding development of Strathclyde Pension Fund's (SPF's) Climate Change Strategy. Since 2021 the committee has agreed:
  - that the Climate Change Strategy would incorporate the explicit objective of implementing an investment strategy that was consistent with achieving the goal of global net zero emissions by 2050; [Item 4, 2nd June 2021].
  - that Strathclyde Pension Fund should have a target of net-zero emissions across its own portfolios by 2050; [Item 4, 2nd June 2021].
  - to adopt an interim target for carbon reduction of at least 45% from the baseline by 2030; [Item 6, 2nd March 2022].
  - to join the Paris Aligned Investment Initiative (PAII); [Item 6, 2nd March 2022].
  - to use the IIGCC Net Zero Investment Framework as the basis for producing its climate action plan; [Item 6, 2nd March 2022].
  - to adopt and implement an energy company standards framework; [Item 6, 2nd March 2022].
  - to produce a high-level climate action plan; [Item 6, 2nd March 2022].
  - a high-level climate action plan; [Item 5, 1<sup>st</sup> March 2023].

### 2 Paris Aligned Investment Initiative (PAII)

The Paris Aligned Investment Initiative (PAII) is a collaborative, investor-led global forum established in May 2019 by the Institutional Investors Group on Climate Change (IIGCC), in conjunction with other global climate-focused investor initiatives. PAII supports investors in aligning their portfolios and investment activities with the goals of the Paris Agreement. SPF joined the PAII during 2022 and became a signatory to the PAII Net Zero Asset Owner Commitment. The commitment is set out in Appendix A to the 2026 - 2029 Climate Transition Plan.

### 3 IIGCC Net Zero Investment Framework

The Net Zero Investment Framework (NZIF) was developed by the Paris Aligned Investment Initiative (PAII) to provide a common set of recommended actions, metrics and methodologies that enable investors to maximise their contribution to achieving global net zero emissions by 2050 or sooner. The NZIF assessment focuses on companies in high-carbon-emitting sectors and seeks to ensure these companies are increasingly either achieving net zero, aligned to net zero, or on a credible pathway to net zero. The goal is to have 100% of companies confirmed as net zero or as a minimum, aligned to a net zero pathway by 2040.

SPF adopted the IIGCC [Net Zero Investment Framework](#) as the basis for its 2023–2026 Climate Action Plan and implemented the framework in early 2023. The 2026–2029 Climate Transition Plan sets out interim targets that support progress towards full alignment with the NZIF.

## Review of Progress against 2023 Climate Action Plan

### 1 Progress against 2023 Plan Priorities

The 2023 plan incorporated a 3-yearly implementation and review cycle. This is consistent with the statutory triennial cycle for actuarial review which forms the basis of SPF's cycle for all strategic planning and review.

Progress against the immediate priorities for the period 2023 to 2026 is summarised below.

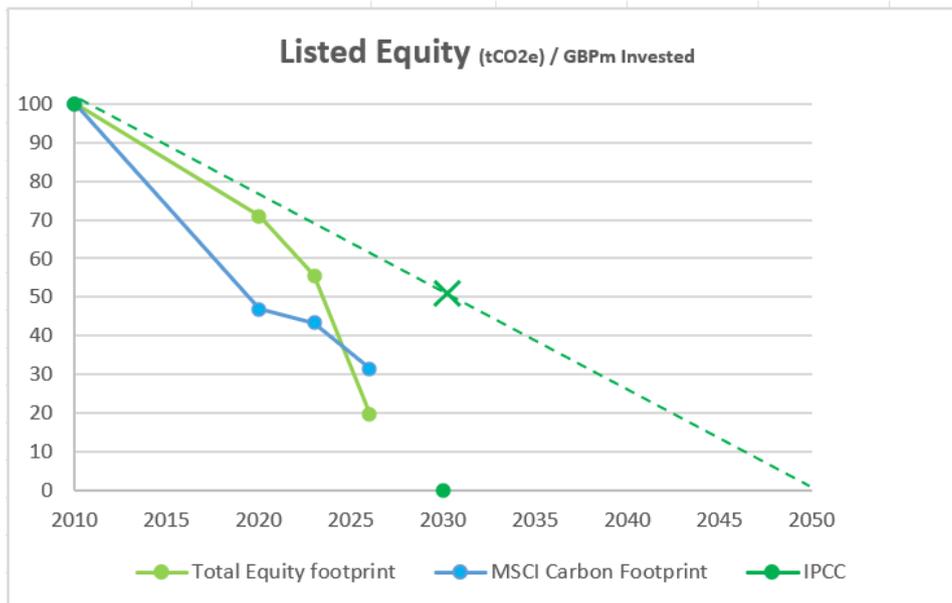
Priority	Progress	Comments
Initial review of individual portfolio alignment with SPF's PAI investment objectives.		Fair Share Pathway analysis commissioned from Hymans Robertson for all portfolios covered.
Engage with active equity managers on the basis of their NZAM commitments.		All active managers have net zero commitments. Regular engagement has been carried out based on fair share analysis, the energy company assessment framework, engagement priority companies, the Carbon Disclosure Project, and the managers' own climate reporting.
Investigate indices with a lower carbon tilt than the market capitalisation indices currently applied in the passive equity portfolio.		Investigated, identified and implemented.
Investigate green(er) fixed income solutions and alignment of fixed income portfolios.		Investigated, identified and implemented.
Engage further with DTZ and ICG Longbow on their Net Zero plans and alignment activity.		Ongoing engagement.
Review SPF voting policy and practice to ensure alignment.		All of SPF's managers vote on the Fund's behalf at AGM/ EGMs. <i>Morningstar Sustainalytics</i> provide detailed analysis of proxy voting on climate change resolutions.
Consider explicit allocation to climate solutions mandate(s).		DIP target allocation increased from 5% to 7.5% of total assets to accommodate further investment in renewables and green technology. Allocations to natural capital and timberland have been considered, but SPF's focus remains on decarbonising existing portfolios and encouraging climate solutions within existing mandates.

## 2 Carbon Emissions

Northern Trust apply carbon risk metrics at a portfolio level to assess progress against SPF's carbon reduction targets and to assess the carbon impact of strategic asset allocation decisions. Results of this analysis are summarised below.

### 2.1 Listed Equities

The SPF Climate Change Strategy requires an interim carbon-reduction target of at least 45% from the baseline by 2030. The latest analysis indicates that total Scope 1 and 2 emissions from SPF listed equities (40% of the Fund) have fallen to 47.6 tCO<sub>2</sub>e – an 80% reduction from the 2010 baseline.

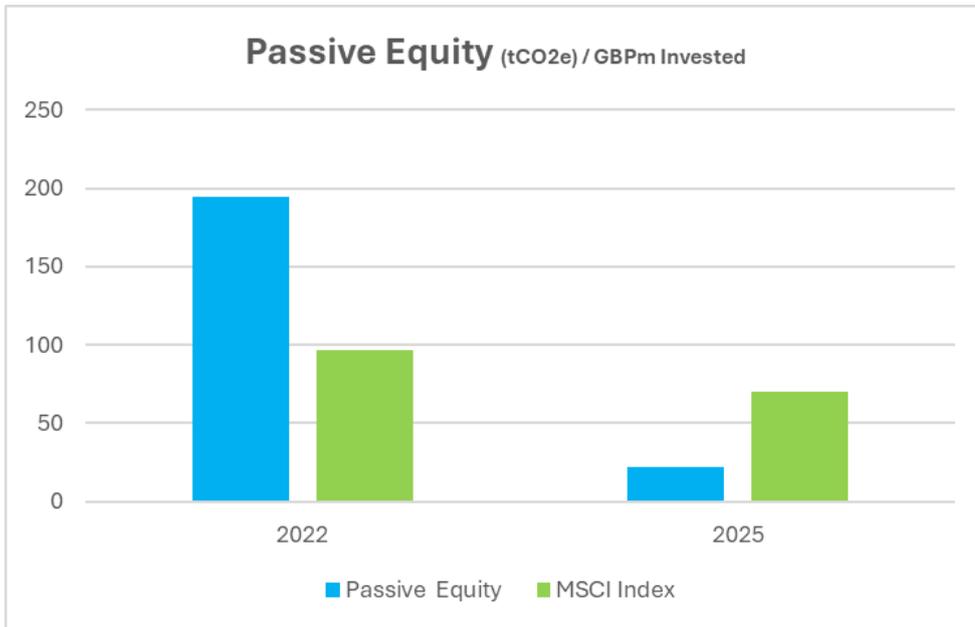


### 2.2 Passive Equities

Passive equity is held in pooled funds rather than directly, and by its nature requires a different solution to actively managed portfolios.

Following the 2023 investment strategy review, passive market-capitalisation regional exposures were reallocated to low-carbon transition strategies. The RAFI passive portfolio adopted a Carbon Transition RAFI Index in 2021. These strategies integrate emissions-reduction objectives while preserving diversified equity exposure and targeting net-zero alignment by 2050.

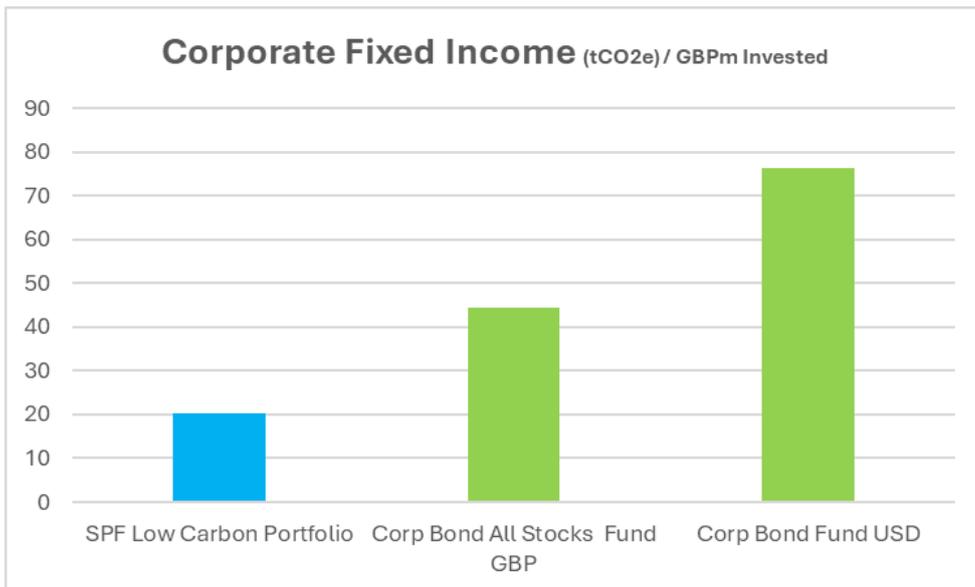
The carbon risk metrics provided by SPF's global custodian, Northern Trust, demonstrate the effectiveness of the fund transition. The passive equity portfolio's Scope 1 and 2 GHG emissions reduced materially to **21.8** tCO<sub>2</sub>e in 2025, representing an **89%** reduction since 2022, as illustrated in the chart below.



### 2.3 Corporate Fixed Income

The 2023 investment strategy review brought corporate fixed income into scope. A similar approach to passive equities was adopted, with funds transitioned to lower-carbon alternatives targeting 1.5°C alignment by 2030 and net-zero emissions by 2050.

While carbon risk metrics for corporate fixed income are a recent development and lack sufficient historical data for trend analysis, the chart below illustrates the positive impact of the fund transition compared with the previously held corporate fixed income funds.



### 3 Investment Alignment

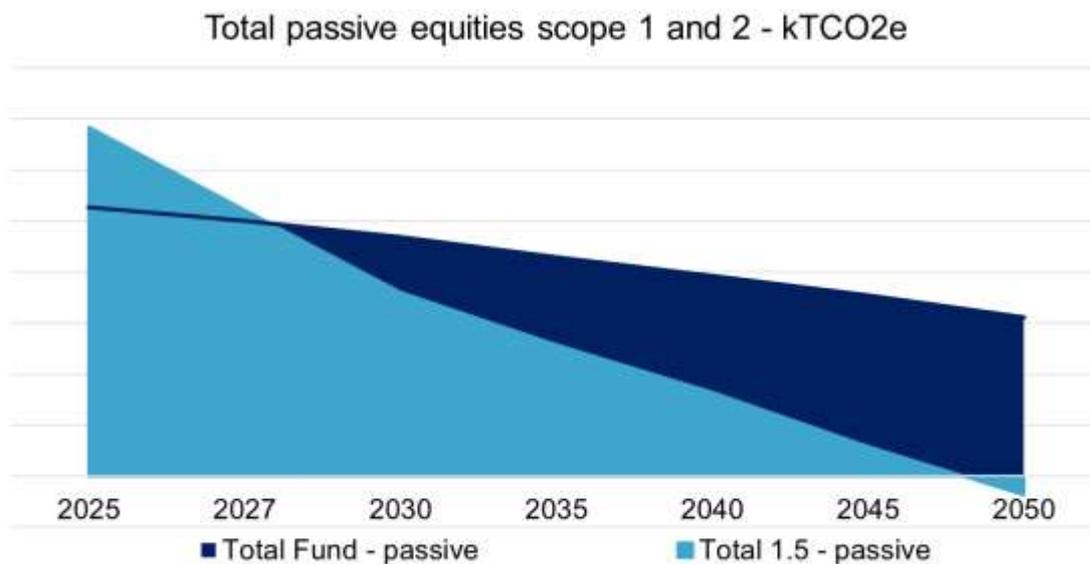
According to PAIL: “The key driver for achieving net zero targets and securing emissions reductions in the real economy is the increasing alignment of assets to net zero pathways within asset class portfolios.”

Pathways is the term used to describe the emissions, technologies and investment trajectories that will be needed to deliver net zero.

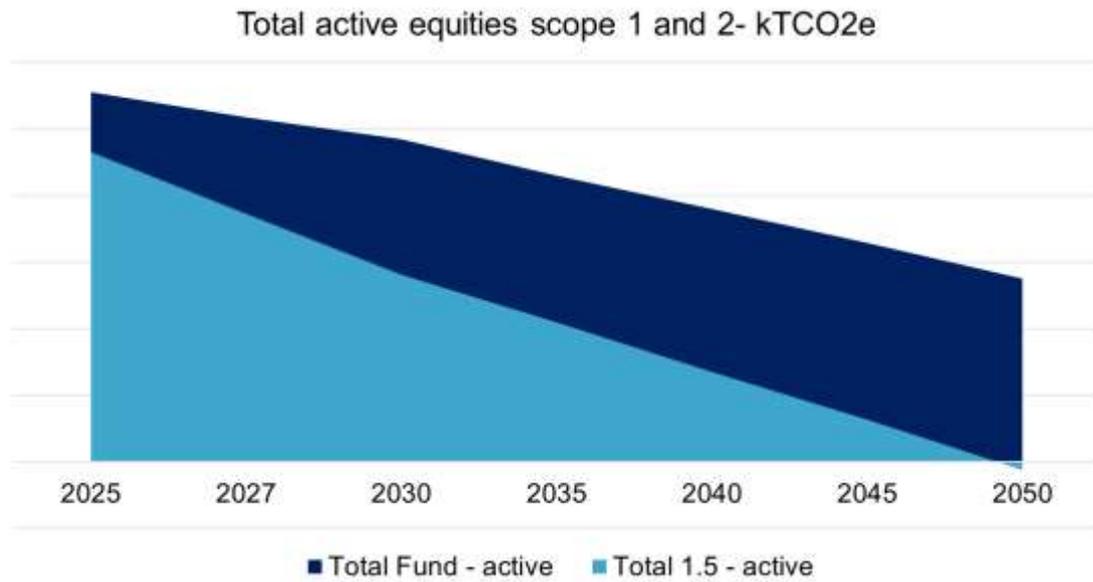
SPF's investment consultants, Hymans Robertson, have developed scenario modelling using MSCI data that compares SPF's portfolio emission levels with those projected by the Intergovernmental Panel on Climate Change (IPCC) and with sectoral emissions profiles assessed by the International Energy Agency (IEA) and the One Earth Climate Model (OECM). This modelling illustrates the current transition pathway of SPF's individual portfolios as well as their aggregate position. Results of this analysis are summarised below.

Changes in methodology in relation to the MSCI data mean that results of the current analysis show a less favourable starting position than under the old methodology used for the 2023 analysis.

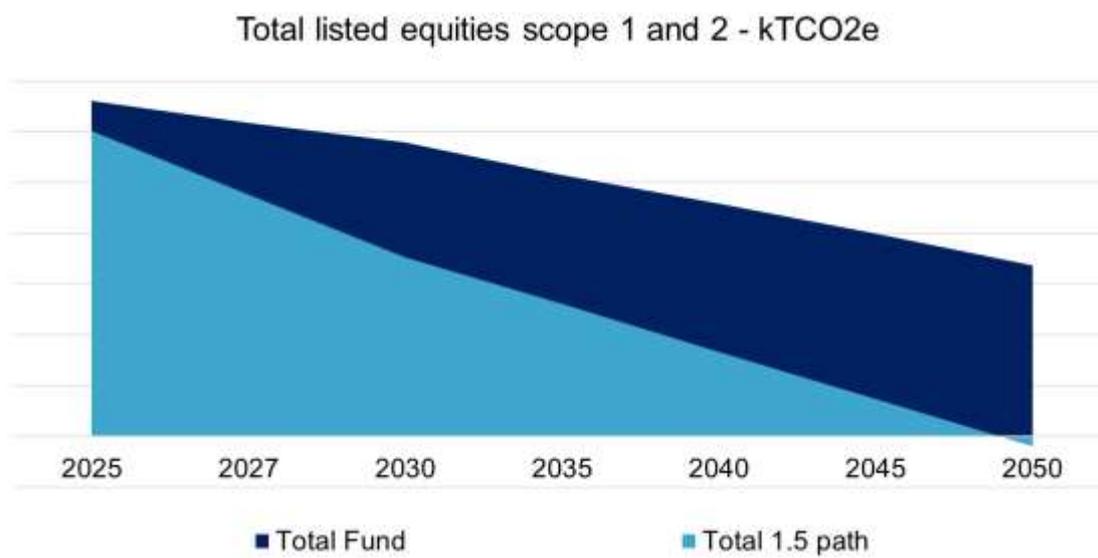
### 3.1 Passive Equities



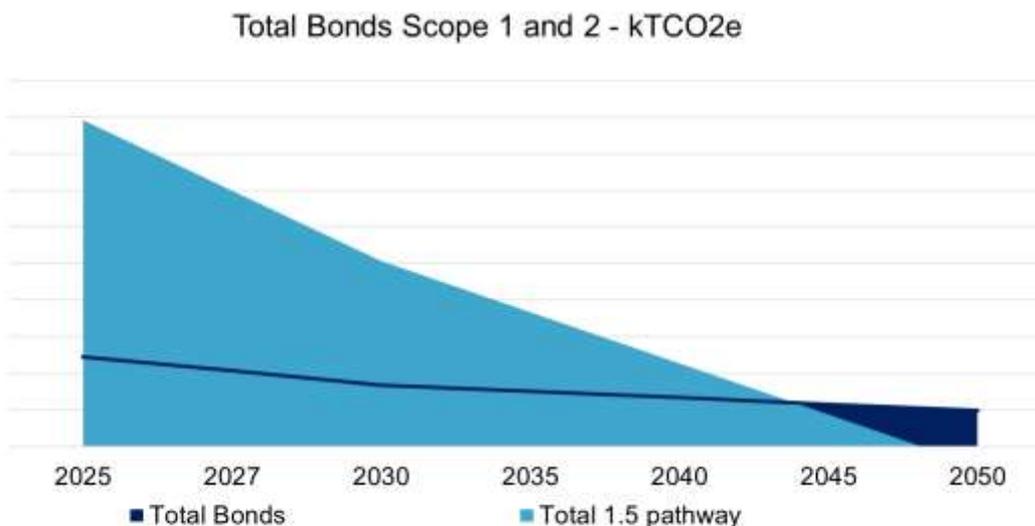
### 3.2 Active Equities



### 3.3 Total Listed Equities



### 3.4 Total Bonds



The analysis shows that:

- passive mandates are well below their fair share pathway to 2030;
- active mandates are slightly above their fair share pathway but do have a reasonably strong downward trend; and
- changes to Bond portfolios mean they are also well below fair share .

It is also clear that the equity portfolios are well adrift of their fair share pathway beyond 2030, though bond portfolios are much better aligned.

#### Scope 3 Emissions

The analysis shown above is based on Scope 1 and 2 emissions only.

This is consistent with NZIF 2.0 which considers portfolio scope 1 and 2 emissions must be included in objectives. It also recommends that material portfolio scope 3 emissions be phased into net zero efforts at the portfolio level, as data availability, quality, and consistency allow, as well as where meaningful to net zero goals. However, it is currently recommended that they be monitored separately to portfolio scope 1 and 2 emissions and a separate strategy is created to address these due to measurement, aggregation, and misincentivisation challenges (including double counting).

Hymans Robertson have provided analysis for individual portfolios and analysis which includes Scope 3 emissions. This does illustrate significant challenges around pace of decarbonisation based both on progress to date and targets set by companies and some specific company impacts. This analysis will be used as the basis for further engagement with managers and for ongoing strategy development.

### 4 Investment Managers

Each of the six investment managers whose portfolios are included in this analysis has an individual climate change strategy that includes a net-zero commitment by 2050. Most are a signatory to the Net Zero Asset Managers Initiative (NZAM).

The Net Zero Asset Management initiative (NZAM) is a global voluntary alliance of asset managers committed to aligning their investments with achieving net zero greenhouse gas emissions. NZAM will publish its new commitment statement for members in Q1 2026. This has been shared with NZAM signatories, and we anticipate signatories will be reviewing their targets and updating their commitments over the next year.

Implementation of managers' individual climate change strategies forms the foundation for SPF's own decarbonisation. However, SPF continues to take actions itself to ensure that progress is achieved and maintained. This has included engagement with managers and assessment of their progress towards alignment based on their transition pathways. NZIF recommends that alignment assessment focuses on companies in high impact sectors. This is the basis for the Alignment Goal.

## 5 Progress Against 2023 Plan Goals

The 2023 Climate Action Plan set out a number of separate goals in line with NZIF. Progress against each of these is summarised below.

### 5.1 Alignment Goal

The goal is to have 100% of companies confirmed as net zero or as a minimum, aligned to a net zero pathway by 2040. NZIF recommends that assessment focuses on companies in high carbon-emitting sectors. Within the active equity portfolios, SPF holds **77** companies operating in high impact sectors. This represents around **8.5%** of those assets by value, but accounts for the majority of financed emissions in the portfolios.

There are interim targets on the journey to full alignment, the first of which is **30%** by **2026**. The current position is as follows.

SPF High Emitting Companies	Transitioning companies (aligned, aligning, or committed)	Not aligned or committed	Insufficient data
By Number	36%	29%	35%
By Value	59%	30%	11%

SPF has comfortably exceeded its interim alignment target of **30%** by **2026** and is currently ahead of its **2030** target of **53%**.

### 5.2 Engagement Goal

The goal is that **at least 90%** of SPF financed emissions in material sectors are either assessed as net zero, aligned with a net zero pathway, or the subject of direct or collective engagement and stewardship actions. The target for this goal is **2030** or earlier with an interim target of **70%** by **2026**.

Current data shows that the **2026** goal has been achieved and significant progress has been made towards the **2030** goal with over **80%** of SPF listed equities aligned with a net zero pathway or subject to engagement.

SPF has worked with portfolio managers, specialist agents, and a variety of collaborative climate change initiatives including the IIGCC **Net Zero Engagement Initiative** to achieve this result. The initiatives are summarised in the 2026 - 2029 Climate Transition Plan.

### **5.3 Climate Solutions Goal**

The 2023 Plan did not set a specific target for the proportion of assets invested in climate solutions; however, the Fund already has meaningful exposure to sectors and companies delivering solutions aligned with the objective of global net-zero emissions by 2050.

Analysis undertaken for the **C40 Cities Clean Investment Accelerator** indicates that approximately **6.8%** of SPF assets are invested in renewable energy and climate solutions, compared with **1.8%** invested in fossil fuels. That now provides a baseline for future investment.

## **6 Voting**

The 2023 Plan included a review of SPF active equity voting policy and practice to ensure alignment.

The review was based on reporting which SPF receives from Morningstar Sustainalytics, which evaluates how equity managers exercise voting rights on climate-related resolutions. The reporting confirms that portfolio managers continue to vote in a manner consistent with the Fund's objective for all portfolio assets to achieve net zero emissions by 2050 or sooner.

## **7 Real Estate**

The UK property portfolio, managed by DTZ Investors, represents 9% of total SPF investments. The portfolio properties are the only assets wholly owned by SPF. DTZ has committed to achieving net zero across clients' direct investment portfolios by 2040, with its pathway outlined in the 2026–2029 Climate Transition Plan.

SPF engages closely with DTZ, which has confirmed the portfolio remains on track for 2040 net zero, supported by consistent reductions in emissions intensity across landlord (Scopes 1 and 2) and tenant (Scope 3) emissions since the 2019 baseline.

## ANNUAL ESG METRICS

Reporting Metric	Unit of Measure	Type	2025 Target	2023 Performance	2024 Performance
Scope 1 & 2 Emissions	tCO <sub>2</sub> e	Absolute Change vs 2019 baseline	-21.6%	-28%	-45%
	tCO <sub>2</sub> e/m <sup>2</sup>	Intensity Change vs 2019 baseline	-21.6%	-57%	-63%
Scope 3 Emissions	tCO <sub>2</sub> e	Absolute Change vs 2019 baseline	-21.6%	-36%	-29%
	tCO <sub>2</sub> e/m <sup>2</sup>	Intensity Change vs 2019 baseline	-21.6%	-29%	-20%
Tenant Data Collection	% coverage by floor area	Absolute	70%	58%	65%