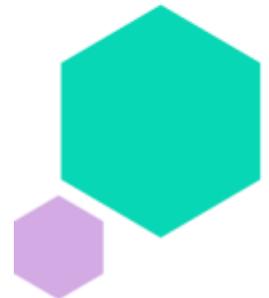




Climate Transition Plan 2026 - 2029

Effective: 1st April 2026



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1 INTRODUCTION

1.1 Foreword

Strathclyde Pension Fund (SPF) has been addressing environmental issues within its investment portfolios for more than 25 years. As a responsible asset owner, SPF recognises the need to address the systemic risks posed by climate change, including the risks it poses to the Fund's investments and its beneficiaries. To reflect this, SPF has been developing its climate change strategy since 2015. Progress on this is detailed each year in a dedicated section of the [SPF Annual Report](#).

As part of its climate change strategy SPF agreed a Climate Action Plan in 2023. The 2023 plan set out, at a high level the priorities for SPF to ensure that climate change is addressed across all investments and portfolios so that SPF achieves and maintains progress towards its Net Zero objective and target.

The immediate priorities for the first iteration of the plan over 2023 to 2026 have all been achieved. A second iteration of the plan has therefore been produced. This new Climate Transition Plan set out below refreshes and refocuses the priorities for the next phase of SPF's climate evolution.

1.2 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.

1.3 Executive Summary of 2026- 2029 Climate Transition Plan

This second iteration of the SPF action plan will continue to be based on the same foundations:

- the [Paris Agreement](#);
- the [Paris Aligned Asset Owners](#) initiative, which seeks to align the global investment community with the goals of the Paris Agreement by achieving emissions reductions in the real economy;
- the [IIGCC](#) (the International Investor Group on Climate Change) of which SPF is a member; and the Net Zero Investment Framework (NZIF) - the revised version [NZIF 2.0](#), which was introduced in 2024 now applies.

SPF's overriding climate objectives and targets will be unchanged:

- an agreed objective of implementing an investment strategy that is consistent with achieving the goal of **global net zero** emissions by **2050**;
- a target of **net zero emissions across SPF portfolios** by **2050** or sooner; and
- an interim target for carbon reduction of at least **45%** from the baseline by **2030**.

The focus will continue to be on ensuring alignment of all counterparties, portfolios and companies with SPF's ultimate Net Zero objective.

NZIF 2.0 brings 3 new asset classes into scope:

- infrastructure;
- private equity; and
- private debt.

This second iteration of the SPF plan places more emphasis than previously on:

- climate adaptation and resilience in light of physical risk to SPF assets;
- considering nature and diversity alongside climate risk; and
- ensuring a just transition.

Robust measurement, monitoring, engagement and reporting processes will continue.

2. BACKGROUND

2.1 Strathclyde Pension Fund (SPF)

- SPF was created in 1975 and is part of the Local Government Pension Scheme (LGPS). It has been managed by Glasgow City Council since 1996.
- The LGPS is a funded, defined benefit, statutory occupational pension scheme established under primary legislation – the Superannuation Act 1972 and Public Service Pensions Act 2013.
- The scheme’s governance, benefits and investment requirements are set out in [regulations](#).

- The purpose of Strathclyde Pension Fund (SPF) is to pay pensions.
- The Fund is a pool into which member and employer contributions are paid. SPF’s principal objective is to ensure that sufficient funds are available to pay all members’ pensions now and in the future. This is set out in the [Funding Strategy Statement](#).

- SPF’s investment objective is to support the Funding Strategy by adopting an investment strategy and structure which incorporates an appropriate balance between risk and return. To achieve this SPF has developed and implemented a risk-based investment framework.
- The SPF [Statement of Investment Principles](#) (SIP) sets out 6 key principles which underpin the entire approach to investment. They are:
 - **Long-term perspective** – by the nature of its liabilities and sponsor covenants, the Fund is able to take a long-term view and position its investment strategy accordingly.
 - **Diversification** – the Fund seeks to diversify its investments in order to benefit from a variety of return patterns.
 - **Efficiency** – the Fund aims to achieve an efficient balance between investment risk and reward.
 - **Competitive advantage** – the Fund’s size, time-perspective and risk appetite give it some competitive advantages which it seeks to exploit.
 - **Pragmatism** – the Fund recognises that there are implementation considerations including cost and manageability which may lead it to favour practical investment solutions over optimised model structures.
 - **Stewardship** – the Fund is a responsible investor and adopts policies and practices which acknowledge the importance of environmental, social and governance (ESG) issues.

2.2 SPF Snapshot

As at 31 December 2025, SPF had:

- 139 employers
- >290,000 members
- £900m p.a. pensions in payment
- >£32bn in assets
- 5 asset categories
- 18 investment managers
- 26 portfolios
- c.1,000 listed equity holdings
- 24 pooled fund holdings
- c.160 private market investments
- 54 UK properties
- 69 DIP (Direct Impact Portfolio) investments

2.3 SPF Climate Change Strategy – History

Strathclyde Pension Fund:

- has had an Environmental, Social and Governance (**ESG**) policy since **2000**.
- became a **PRI** signatory in **2008**
- joined **IIGCC** in **2016**
- implemented **TCFD** (Task Force on Climate-Related Financial Disclosures) reporting in **2018/19**
- agreed an annual minimum standards assessment of energy sector companies in **2022**.
- has an agreed objective of implementing an investment strategy that is consistent with achieving the goal of **global net zero** emissions by **2050**
- has a target of **net zero emissions across SPF portfolios** by **2050** or sooner
- has an interim target for carbon reduction of at least **45%** from the baseline by **2030**

- became a **PAII** signatory in **2022**.
- agreed its first Climate Action Plan in **2023**.

2.4 IIGCC (Institutional Investors Group on Climate Change)

The IIGCC brings the European investment community together to work towards a net zero and climate resilient future. It creates change the world needs by unlocking investor action on climate change. IIGCC has more than 400 members, mainly pension funds and asset managers, across 27 countries, with over €65 trillion in assets under management.

SPF joined IIGCC in 2016.

2.5 PAII (Paris Aligned Investment Initiative)

The Paris Aligned Investment Initiative (PAII) is delivered by four investor networks (AIGCC, Ceres, IGCC and IIGCC), supporting individual investors globally to implement the Net Zero Investment Framework 2.0 (NZIF 2.0). It was established in May 2019 as an investor-led forum, to support investors to align their individual portfolios and investment activities with the goals of the Paris Agreement.

SPF joined PAII during 2022.

The PAII Net Zero Asset Owner Commitment is set out in **Appendix A**.

The PAII follows 5 key principles to guide its work, and to assess methodologies and test conclusions.

- **Impact** The primary objective is achieving emissions reductions in the real economy. While different investors have varying scopes for undertaking action, the Framework should encourage investors to maximise their efforts to achieve the greatest impact possible.
- **Rigour** Alignment should be based on sound evidence and data, and be consistent with the best available science on meeting the temperature goals of the Paris Agreement.
- **Practicality** The methods and approaches should be feasible for a range of investors to implement, build on existing work, and be compatible with existing processes or requirements of investors.

- **Accessibility** Definitions, methodologies and strategies should be clear and easily applied, using publicly available information and assessments where possible.
- **Accountability** Definitions, methodologies and strategies should allow clients, beneficiaries and other stakeholders to assess whether investors and assets are aligned with the goals of the Paris Agreement..

Using these principles PAII produced the [Net Zero Investment Framework](#) “the Framework”.

2.6 Net Zero Investment Framework

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 Framework is designed to provide a basis on which a broad range of investors can make commitments to achieving net zero emissions and define strategies, measure alignment, and transition portfolios. It sets out a number of components for an effective net zero investment strategy, with recommendations on the key actions and methodologies that can be used to implement such a strategy.

The first iteration of the Framework was introduced in 2019 with a revised version (NZIF 2.0) appearing June 2024. The updated Framework added asset classes not initially covered, in addition to some revised terminology and criteria.

The NZIF outlines the key components of a net zero strategy and transition plan that an investor can consider, with two key objectives:

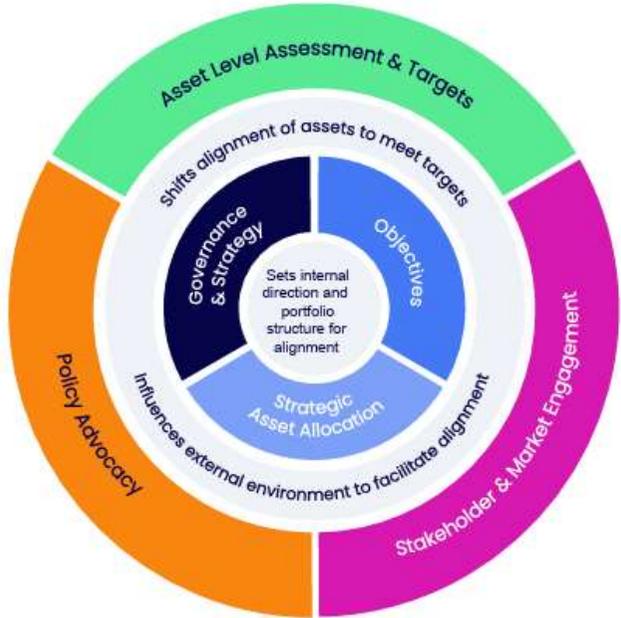
- transitioning investment portfolios in a way that is consistent with the mitigation goals of the Paris Agreement, focusing on real economy decarbonisation; and
- increasing investment in the range of climate solutions to enable the transition.

The Framework recognises that investors have a range of levers at their disposal to drive decarbonisation and increase investment in climate solutions, and these should be used to ensure progress in the real economy as well as reaching targets for the portfolio itself.

Investors adopting the Framework are expected to use it on an ‘implement or explain’ basis, in the context of their fiduciary duties, and may, therefore, take account of specific contexts and strategies where some elements of the Framework may not be applicable.

The main components and actions required by the Framework are:

- **Governance & Strategy**
- **Targets & Objectives**
- **Strategic Asset Allocation**
- **Asset Level Assessment & Targets**
- **Implementing Alignment**
- **Stakeholder & Market Engagement**
- **Policy Advocacy**



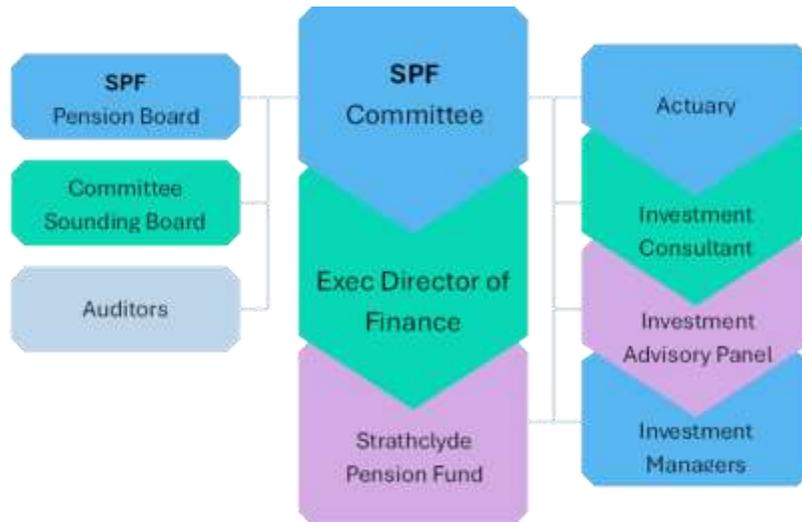
SPF's Climate Transition Plan, below, has been developed to address each of these.

3. CLIMATE TRANSITION PLAN

3.1 Governance & Strategy

Governance Structure

Given the size and complexity of the Strathclyde Pension Fund there are many decision makers, advisers and practitioners involved in running it. The governance structure is illustrated below.



Glasgow City Council's [Strathclyde Pension Fund Committee](#) is the main decision-making body for SPF. The Committee agrees and oversees investment strategy and structure including the responsible investment and climate change strategies.

Each of the other constituents of the SPF Governance Structure has its own defined role in implementing the Climate Transition Plan. These are summarised as follows.

The **Committee Sounding Board** reviews proposals before they are considered by the Committee for decision. This includes individual investment proposals for DIP, SPF's impact portfolio.

The [Pension Board](#) assists the Committee in securing compliance with the regulations, other legislation and the requirements of the Pensions Regulator. The Board comprises trade union and employer representatives and has a keen interest in addressing Climate Change .

The **Executive Director of Finance** is the responsible officer who ensures that committee decisions are implemented by the **Strathclyde Pension Fund Office** which administers the scheme, and manages the investment strategy.

SPF uses an external investment management model. The **investment managers** will be instrumental in aligning portfolios with the Net Zero commitment.

The **actuary** provides advice on funding, including scenario analysis which illustrates the potential impact of climate change on the funding objective.

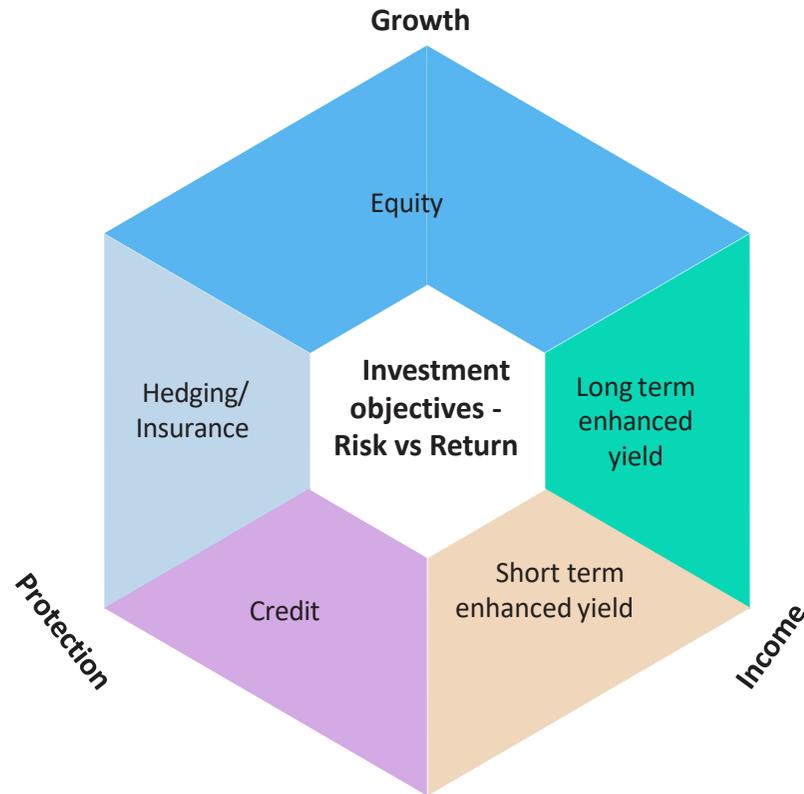
The **investment consultants** provide advice on all aspects of investment objectives, strategy and structure including stewardship and climate change. They also produce detailed analysis including fair share transition pathway analysis.

The **Investment Advisory Panel (IAP)** develops investment strategy and monitors investment performance. The IAP membership comprises investment officers from the Fund and representatives from Hymans Robertson as the Fund's actuary and investment consultant together with three independent expert advisers appointed for their knowledge of investments and of pension funds.

The **internal and external auditors** review risk, controls, and the financial statements.

Investment Strategy

The current investment strategy is summarised and illustrated below.



Asset Category	Main Objectives	Asset Types
Equity	To generate return	Listed Equity; Private Equity
Hedging / Insurance	To reduce the exposure of the funding level to variations in interest rates and inflation	UK Gilts; UK Index-Linked
Credit	To ensure additional yield, provide income and reduce funding volatility	Corporate Bonds
Short-term Enhanced Yield	To provide an income stream above the expected return on investment grade corporate bonds	Absolute Return; Multi-Asset Credit; Private Debt
Long-term Enhanced Yield	To provide a long-term income stream and a degree of inflation protection	Property; Infrastructure

The PAII Net Zero Framework initially covered four asset classes in the SPF investment strategy:

- **Listed Equity**
- **Real Estate**
- **Corporate Bonds**
- **Sovereign Bonds**

The updated Framework (NZIF 2.0) adds coverage of Private Market assets. This includes three additional assets classes in the SPF investment strategy:

- **Private Equity**
- **Private Debt**
- **Infrastructure**

The portfolios in scope of the Net Zero Framework are illustrated below.

Multi-Asset Passive	Global Equity	Specialist	Private Markets
Legal & General	Baillie Gifford	JP Morgan	DTZ
		Lombard Odier	
		RBC	
		PIMCO	JP Morgan
	Lazard	Ruffer	Pantheon
		Oakhill	Partners Group
	Veritas	Barings	Alcentra
	Oldfield		ICG Longbow
			DIP

	= portfolios initially in scope
	= portfolios now added to scope
	= portfolios not in scope

3.2 Targets & Objectives

Overall Objective and Target

As previously agreed:

- SPF's Climate Change Strategy incorporates the explicit objective of implementing an investment strategy that is consistent with achieving the goal of global net zero emissions by 2050; and
- Strathclyde Pension Fund has a target of net-zero emissions across its own portfolios by 2050.

Interim Target

The committee also agreed to adopt an interim target for carbon reduction of at least 45% from the baseline by 2030.

PAII requires additional targets and objectives to be set. These include the following.

Portfolio Goals - Listed Equity

Equity has always been the largest asset category in SPF's allocation. It has also historically been the primary focus of SPF's climate change strategy. Equities are held directly in 6 actively managed portfolios and 1 large passive portfolio. All equity portfolio managers have individual climate change strategies which include a net zero 2050 commitment, most are NZAM members. The following goals will apply to SPF's actively managed portfolio.

Alignment Goal

This aims to ensure that companies in which SPF invests are increasingly:

- Achieving net zero or
- Aligning to net zero or
- Aligned to to net zero.

NZIF recommends that assessment focuses on companies in high carbon-emitting sectors. These include:

Metals & Mining
Construction Materials
Airlines

Electric Utilities
Food Products
Oil & Gas

Chemicals

The goal is to have 100% of companies confirmed as net zero or aligned to net zero by 2040.

Interim targets represent milestones on the journey towards full alignment. Based on value of assets aligning, they are as follows for SPF.

	2026	2030	2035	2040
	30%	53%	76%	100%



SPF introduced its own Energy Company Assessment Framework in 2022. This has been reviewed and refreshed and is an important tool in driving and monitoring alignment within this key sector. The revised framework is summarised at **Appendix B**.

Engagement Goal

This aims to ensure that SPF engages increasingly with the companies it invests in to support and enforce their journey towards net zero.

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 by **2030** or earlier.

The interim target of **70%** as quickly as possible and certainly by 2026 has been achieved.



Climate Solutions Goal

This aims to ensure that SPF invests increasingly in the climate solutions required to achieve the overall goal of global net zero by 2050.

SPF is already investing significantly in industries and companies that will deliver these solutions: SPF's Direct Impact Portfolio (DIP) specifically targets investments with a positive climate impact; and throughout all SPF portfolios capital has been allocated to renewable energy, sustainable infrastructure, and technologies that reduce emissions and promote resilience. SPF did not set a goal for the percentage of assets to be invested in climate solutions in 2023 due to a lack of available data and recognised methodology.

Analysis now 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 improvement. Further work is required so that realistic goals and targets for improvement from this baseline can be agreed. These will include a <10-year goal for allocation to climate solutions representing a percentage of revenues or capex from AUM (based on EU taxonomy mitigation criteria) increasing over time in line with investment trajectories based on a net zero pathway.

Implied Temperature Goal

This aims to ensure that the temperature rise implied by the assets in our portfolio is consistent with the Paris Agreement.

Portfolio Goals

Portfolio Goals - Passive Equity Portfolio

SPF's passive equity is now invested in Low Carbon Transition funds. The primary goal of these funds is to provide exposure to a diversified portfolio of companies while integrating specific objectives related to reducing greenhouse gas (GHG) emissions to achieve portfolio net zero by 2050. They have a dual carbon objective

1. Initial emissions intensity reduced by c. 70% vs. market cap benchmark
2. Emissions intensity consistent with decarbonisation pathway and a net zero target.

Portfolio Goals - Corporate Fixed Income

A similar approach is taken to that adopted for passive equities using Legal & General's Future World Net Zero Buy and Maintain Credit fund and Low Carbon Transition corporate bond funds. The ultimate goal of these funds is to achieve 1.5C temperature alignment by 2030 and net zero emissions by 2050.

Portfolio Goals - Sovereign Bonds

NZIF 2.0 acknowledges that investors face limitations specific to this asset class, some of which they do not have full agency to address. Consequently, a singular performance expectation is not considered possible. However, investors are invited to use all the levers they have at their disposal to achieve their maximum contribution towards real-economy decarbonisation and transparently disclose where limitations apply.

SPF does not currently directly hold any sovereign bonds. SPF's exposure is through pooled funds and is limited to UK gilts. This does represent a meaningful limitation. However, SPF will engage with its sovereign bond portfolio manager, Legal & General, to encourage the use of all the levers they have at their disposal as recommended by NZIF 2.0.

Portfolio Goals - Real Estate

UK Property Portfolio

SPF has been a long-term UK property investor. The current portfolio, managed by DTZ Investors represents 9% of total SPF assets and is significant in that the properties in the portfolio are the only assets wholly owned by SPF. DTZ is committed to achieving Net-Zero for its clients' direct investment portfolios by 2040. **Appendix C** shows a summary of DTZ's pathway to achieving this. Ongoing engagement with DTZ is focused on ensuring that the pathway can be maintained.

Global Real Estate

SPF allocates 2% of total assets to global real estate in a mandate managed by Partners Group (PG). PG has a Net Zero Investment Framework in place with established targets for its private equity and private debt investments, and has committed to develop real estate targets in 2026.

Portfolio Goals – Private Markets

SPF has invested in private markets for over 35 years, initially focusing on private equity with private debt added to the investment strategy in 2015 and infrastructure in 2018.

Private Market investments are now brought into scope through the revised Net Zero Framework (NZIF 2.0). SPF does not hold Private Market investments directly, so engagement will focus on the relevant managers. Initial engagement confirms the following status:

Manager	SPF Mandate	Manager Status
Pantheon	Private equity, private debt (secondaries)	Pantheon integrates climate considerations into its investment strategies and encourages portfolio companies to develop decarbonisation plans.
Partners Group	Private equity, private debt, global real estate.	PG has a Net Zero Investment Framework in place with established targets for its private equity and private debt investments, and has committed to develop real estate targets in 2026.

JP Morgan	Global infrastructure	JPM is developing carbon reduction targets for individual portfolio companies and has reported on these in some detail.
Alcentra	Private Debt	Alcentra's Carbon Action Plan aims for net zero by 2050 across all strategies, with an interim target of a 50% reduction by 2030 for direct lending.
Barings	Multi Asset Credit, Private Debt	Barings is working actively towards climate commitments of operational net zero by 2030 and AUM net zero by 2050.
Oakhill	Multi Asset Credit	Oak Hill integrates climate-related risks and opportunities into its investment processes, viewing climate change as a material, systemic factor.
ICG Longbow	Real Estate Debt	ICG Longbow are targetting net zero by 2040 and are implementing a detailed plan to achieve that.
DIP	Private equity, private debt, infrastructure, real estate.	DIP is SPF's internally managed impact portfolio which has an explicit objective of targeting positive environmental, social and governance impacts. It has a high allocation to renewable energy infrastructure.

3.3 Asset Allocation

SPF's strategic asset allocation is based on asset-liability modelling (ALM) carried out by the Fund's investment consultants, Hymans Robertson. The modelling is reviewed and refreshed every 3 years in line with the Fund's triennial actuarial cycle.

The ALM carried out as part of the 2020 actuarial valuation included climate-based scenario analysis for the first time. The modelling was updated as part of the 2023 actuarial valuation and ALM of the Fund.

It is impossible to confidently quantify the effect of climate risk given the significant uncertainty over the impact of different possible climate outcomes. Instead, three different climate change scenarios are considered as a stress test (instead of trying to predict with any accuracy how climate change affects the funding level in the future).

The output of the scenario modelling is used to inform funding assumptions and future investment strategy considerations, including asset allocation decisions.

This will be repeated as part of the 2026 ALM process and SPF will continue to engage with Hymans Robertson:

- to fully understand the extent to which the ALM and scenario modelling address climate risks and opportunities; and
- the extent to which this is reflected in SPF's current and future strategic asset allocation.

3.4 Asset Level Assessment & Targets

Extensive carbon footprinting of portfolios has been carried out since 2016. This has been reported annually since 2018/19 in the Fund's TCFD (Taskforce on Climate-related Financial Disclosures) reporting within its Annual Report and Financial Statements.

The main focus for this has been listed equities with corporate fixed income included for the first time in 2025. SPF will extend this to other asset classes now covered by the Net Zero Framework when practical. Carbon footprinting for sovereign debt is expected to be available in 2026.

SPF's focus to date has been on assessing the carbon footprint of portfolios and the extent to which this is reducing. The ultimate objective is to reduce this metric to Net Zero.

In order to assess the extent to which this is being achieved Hymans Robertson have produced modelling which illustrates the current transition pathway of SPF's individual equity portfolios and at an aggregate level. The modelling uses fair share analysis and is based on a 1.5° global warming metric. This has formed a basis for ongoing discussion with portfolio managers.

Forward looking data analytics are used to model physical risks, moving beyond simple carbon metrics to assess potential financial impacts on assets and businesses. There are various potential sources of this information including Hymans Robertson and the Fund's global custodian Northern Trust.

Work will continue to assess and agree how these metrics can best be used across SPF portfolios.

3.5 Implementing Alignment

Under the PAI Framework, 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.

Overall, the PAI recommends that an investment strategy should prioritise engagement and stewardship and direct management (where relevant), particularly for existing assets, as the primary mechanism to drive alignment. Portfolio construction can also be a relevant tool to weight portfolios towards assets aligned or transitioning towards net zero as an incentive for these companies to align. Selective divestment is recommended in specific circumstances as part of the toolbox for aligning a portfolio.

SPF's initial priorities for implementing alignment are set out in the Timeline Section below.

3.6 Stakeholder & Market Engagement Engagement

Engagement is the most developed element of SPF's existing stewardship and climate change strategies. For more than 25 years, SPF has carried out extensive engagement with companies, investment managers and other market participants both directly and through portfolio managers, specialist agents, and a variety of collaborative initiatives. Some of these are summarised in **Appendix D**.

Voting Policy and Practice

An important engagement tool is the AGM and EGM voting rights which come with share ownership. SPF's default policy is for investment managers to exercise voting rights in accordance with their own stewardship policies.

Managers are required to demonstrate a clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner.

Morningstar Sustainalytics provide an annual review of equity managers voting policies and actions.

On occasion SPF over-rides the manager control of voting to vote in accordance with the voting recommendations of one of the Engagement Initiatives in which SPF participates. SPF will now enhance this policy. From 2026, in advance of the voting deadline, SPF will review all votes on climate change issues affecting companies identified through:

- the high emitting direct listed equity alignment assessment; and
- the annual energy company minimum standards assessment.

SPF will instruct votes in line the Engagement Initiative recommendations where appropriate.

3.7 Policy Advocacy

Much of the engagement summarised above supports policy and regulation necessary for achieving global net zero by 2050 or sooner.

SPF is also a member of or signatory to the following, which provide similar support:

- **The UN Principles for Responsible Investment (PRI)**
- **Local Authority Pension Fund Forum (LAPFF)**
- **Institutional Investors Group on Climate Change (IIGCC)**
- **UK Stewardship Code**

4. Timeline

The plan follows 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 existing cycle for strategic planning and review.

2023 - 2026

Priority	Progress
Initial review of individual portfolio alignment with SPF's PAll investment objectives.	
Engage with active equity managers on the basis of their NZAM commitments.	
Investigate indices with a lower carbon tilt than the market capitalisation indices currently applied in the passive equity portfolio.	
Investigate green(er) fixed income solutions and alignment of fixed income portfolios.	
Engage further with DTZ and ICG Longbow on their Net Zero plans and alignment activity.	
Review SPF voting policy and practice to ensure alignment.	
Consider explicit allocation to climate solutions mandate(s).	

2026 -2029

- Continued engagement with active equity managers on the basis of their Net Zero commitments, fair share pathway analysis, SPF's annual energy company assessment, voting activity, physical risk and adaptation policies and management, investment in climate solutions, and approach to Nature and Biodiversity.
- Implement enhanced active equity voting practice to support alignment.
- Ongoing engagement with DTZ to monitor progress of its Net Zero plan and alignment progress for the UK property portfolio. Further engagement on physical risk to portfolio assets.
- Engagement with Private Markets managers on their Net Zero plans and alignment activity.
- Annual energy company assessment.
- Review asset level scenario modelling for active equity portfolios.
- Expand carbon footprinting and pathway analysis to additional asset classes where available.
- Review approach to Biodiversity and Nature and consider membership of Nature Action 100.
- Consider physical risks to SPF assets, together with mitigations and adaptations.
- Incorporate just transition in engagement objectives.
- Consider explicit allocation to climate solutions mandate(s) / green revenues.
- Actions to re-inforce portfolio alignment if necessary by amending portfolios / changing benchmarks / replacing managers.
- Review of experience and progress towards interim target. Further actions as per previous iteration. Develop longer-term plan for period 2030 to 2050.

2030 to 2050 (or sooner)

Continue triennial re-iteration of Transition Plan until objectives are achieved. Net Zero.

SPF will provide regular updates on progress and implementation of the plan in quarterly committee reports and in its annual TCFDs and Stewardship Report. SPF will also be required to report annually on progress to PAII.

5. Risks and Limitations

Climate change is itself an existential threat and a risk to the planet, its population and prosperity. The overriding objective of the Climate Transition Plan is to address this.

But in doing so, SPF needs to be cognisant of the impact and potential unintended consequences in terms of its other objectives and risk mitigants.

SPF exists to pay pensions. Its core objective is to ensure that sufficient funds are available to pay all members' pensions now and in the future. That is SPF's fiduciary responsibility. SPF's ability to achieve this objective could be significantly impaired by:

- Misalignment of the investment and funding strategies.
- Investment performance erosion.
- Transition and implementation costs.
- Reduced diversification.
- Cash-flow mismanagement.

In implementing the Climate Transition Plan, care will need to be taken and caution exercised to ensure that these risks are minimised or avoided.

NZIF 2.0 explicitly acknowledges this:

It is recognised that action by other stakeholders (e.g. governments) is crucial for the global economy to reach net zero emissions. Additionally, it is recognised that short term progress towards reducing real-economy emissions could be inhibited by:

- *Legal obligations, fiduciary duties, and client mandates.*
- *Available, reasonable, and supportable information without undue cost or uncertainty.*
- *Internal skills, capabilities, and resources.*
- *Available methodologies and scenarios.*
- Policies that create an enabling environment.

APPENDICES

A The Paris Aligned Investor Initiative Net Zero Asset Owner Commitment

B SPF Energy Company Assessment Framework

C UK Property Portfolio

D Engagement Initiatives

The Paris Aligned Investment Initiative Net Zero Asset Owner Commitment

As asset owners with millions of beneficiaries around the world, we reiterate our full support for the Paris Agreement and strongly urge governments to implement the actions that are needed to achieve the goals of the accord, with utmost urgency.

Recognising the need to address the risks that investors and their beneficiaries face from climate change, investors are taking action, but we acknowledge that there is an urgent need to accelerate the transition towards global net zero greenhouse gas emissions and do our part in helping deliver the goals of the Paris Agreement.

In this context, my institution commits to the following consistent with our fiduciary obligations:

1. Transitioning our investments to achieve net zero portfolio GHG emissions by 2050, or sooner
2. Implementing this commitment with the aim of achieving real economy emissions reductions and undertaking a comprehensive set of actions available to investors, drawing on the Paris Aligned Investment Initiative's Net Zero Investment Framework
3. Setting objectives and targets, including an interim target for 2030 or sooner for reducing Scope 1, 2 and 3 emissions associated with our portfolios and setting a target for increasing investment in climate solutions, consistent with a fair share of the 50% global reduction in CO₂ identified as a requirement in the Intergovernmental Panel on Climate Change special report on global warming of 1.5°C
4. Where offsets are necessary where there are no technologically and/or financially viable alternatives to eliminate emissions, investing in long-term carbon removals.
5. Ensure any direct and collective policy advocacy we undertake supports policy and regulation relevant for achieving global net zero emissions by 2050 or sooner
6. Implementing a stewardship and engagement strategy, with clear voting policy that is consistent with an objective for all assets in the portfolio to achieve net zero emissions by 2050 or sooner
7. Engaging with asset managers, credit rating agencies, auditors, stock exchanges, proxy advisers, investment consultants, and data and service providers to ensure that funds, products and services available to investors are consistent with achieving global net zero emissions by 2050 or sooner.

8. Setting a target and reducing our operational (Scope 1 and 2) emissions in line with achieving global net zero emissions by 2050, or sooner.

9. Disclosing objectives and targets, and publishing a clear Investor Climate Action Plan for achieving these goals as soon as possible, no later than one year from making this commitment, and reviewing and updating targets every five years or sooner.

10. Reporting annually on the strategy and actions implemented and progress towards achieving objectives and targets, and in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Our institution's commitment recognises that investors across the globe have different opportunities, constraints and starting points for achieving net zero emissions and there are a range of methodologies and approaches available to investors to set targets and implement strategies. In some asset classes or for some investment strategies, agreed net zero methodologies do not yet exist. We will, therefore, work to address these challenges, including through the Paris Aligned Investment Initiative.

Our commitment is based on the expectation that governments and policy makers will deliver on their commitments to achieve the 1.5°C temperature goal of the Paris Agreement, and in the context of fulfilling our fiduciary obligations.

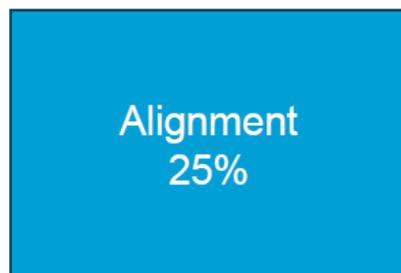
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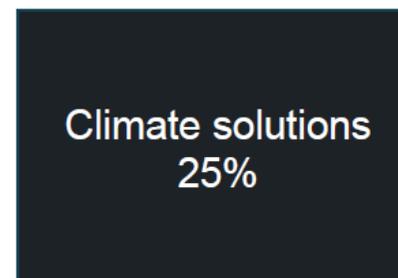
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Energy Company Assessment Framework

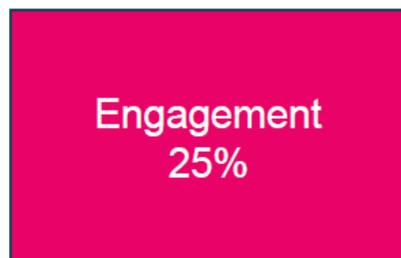
Scoring Model



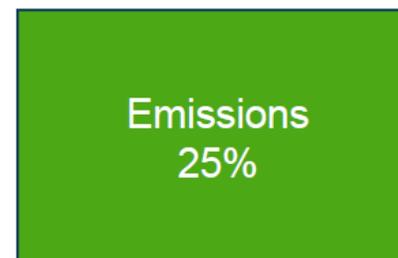
- Alignment of company and actions being taken
- Covers:
 - Ambition – governance, leadership, management
 - Climate transition planning
 - Disclosure



- What is a company spending or planning to spend – green CapEx vs total CapEx
- Green revenues – backward looking but still useful measure of activity



- Positives and negative activity
- Lobbying
- Policy
- Nature areas e.g. severe controversies
- Unconventional oil and gas production

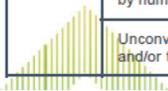


- Performance on emissions reductions
- Short and medium term targets.
- Credibility of those targets
- Inclusion of scope 3

Score card



Weight	Metric	Total for sub section	Max score available	Scoring criteria	Comments
Alignment					
20%	Self declared target	50	50	False=0, True=5	<p>Aim is to show the robustness of commitments and governance</p> <p>Clear asks of companies and guidance on how to achieve these, including smaller cap companies. Meeting NZIF criteria is a relatively high bar and a loose plan is not sufficient. See appendix for details.</p> <p>If the company is not covered by TPI, the score is reweighted so total is out of 40 in order not to unduly penalise.</p>
	NZIF 1 – ambition			False=0, True=10	
	NZIF 4 - disclosure			False=0, True=10	
	NZIF 5 - decarb strategy			False=0, True=10	
	Board oversight or exec pay link			0 if 0, 10 if 1	
	TPI management quality score*			4-5=10, 2-3=5, 1=0	
Emissions					
30%	NZIF 2 - targets (inc material scope 3)	40	30	False=0, True=10	<p>Aim is to indicate evidence of action on emissions</p> <p>Achieving good scores in 3 of the 4 categories is rewarded with full score. Not all can or have to be achieved to do so. This also helps to dampen the overlap in criteria eg credibility of targets feeds into ITR. We're looking for evidence to provide a good score, that can come about in different ways depending on disclosure by the company and their starting point.</p>
	NZIF 3 - emissions performance			False=0, True=10	
	Credibility of targets (scope 1 and 2)			0 if 0-0.39 5 if 0.4-0.79. 10 if 0.8-1.0	
	ITR			2 or below = 10, 2-3.85=5 and 0 = >3.85	
Climate solutions					
30%	CAPEX time horizon	70	40	0 if none, historical 5, forward looking 10	<p>Aim is to capture any business activity in climate and nature solutions</p> <p>Similarly, 'good' is a company achieving some positive but not all indicators. Example scoring on next slide. Max is below total for the sub section to help reduce overscoring on overlapping criteria – eg clean tech opportunities is an underlying factor in ESG ratings score in the Engagement sub section.</p>
	Total green capex vs total capex			Range: 0 if 0-2%, 5 if 2-20%, 10 if 20-50%, 15 if 50-75%, 20 if 75-100%	
	Climate change revenues (max)			Range: 0 if 0-2%, 5 if 2-20%, 10 if 20-50%, 15 if 50-75%, 20 if 75-100%	
	Nat cap revenues (max)			Range: 0 if >0%, 5 if 1-10%, 10 if 10-30%, 15 if 30-50%, 20 if 50-100%	
Engagement					
20%	Positives	35	30		<p>Aim is to capture positive and negative activities and impacts on specific climate and nature as well as broader ESG activity</p> <p>There are companies that lobby for negative climate reasons (particularly in the US) but view here is any disclosure of being active and influential is positive from an engagement leverage point of view as an asset owner. Max of 5 though as this is a more challenging area to define. Also this is skewed to larger cap companies with budgets to do this.</p> <p>Environmental policies are an area that can be improved relatively easily and a clear point for engagement. 3 companies scored 15, the rest 5 or 0.</p>
	Politically active/influential			5 if \$ disclosed, 0 if none or \$0	
	MSCI ESG Rating			AAA-AA: leader = 10, BB-A:average=5,CCC-B:laggard=0	
	Evidence of environmental policy			20 if comprehensive policy in all key areas, 15 if significant commitments in key areas, 5 if standard statements or commitments, 0 if limited policies. Deliberate split of scores with no '10' to separate good and poor.	
	Negatives	0	0 (min -30)		<p>Negative scores for very severe controversies is to explicitly mark down the ESG rating by penalising for very severe environmental impacts. Those then maybe a point for engagement. Unconventional oil and gas revenue is typically associated with greater environmental damage and so an indicator on this we think is appropriate.</p> <p>Max available to score is capped at 25 to allow for potential overlap between metrics, eg correlation between unconventional oil and gas and ESG rating.</p>
	Very severe controversies (any ESG) by number of			0 if 0, -5 if 1, -10 if 2-4, -20 if 5 or more	
Unconventional oil and gas revenue and/or thermal coal			minus 10 if >50% revenue, -5 if >1 to 50%, 0 if <1%		



Actions

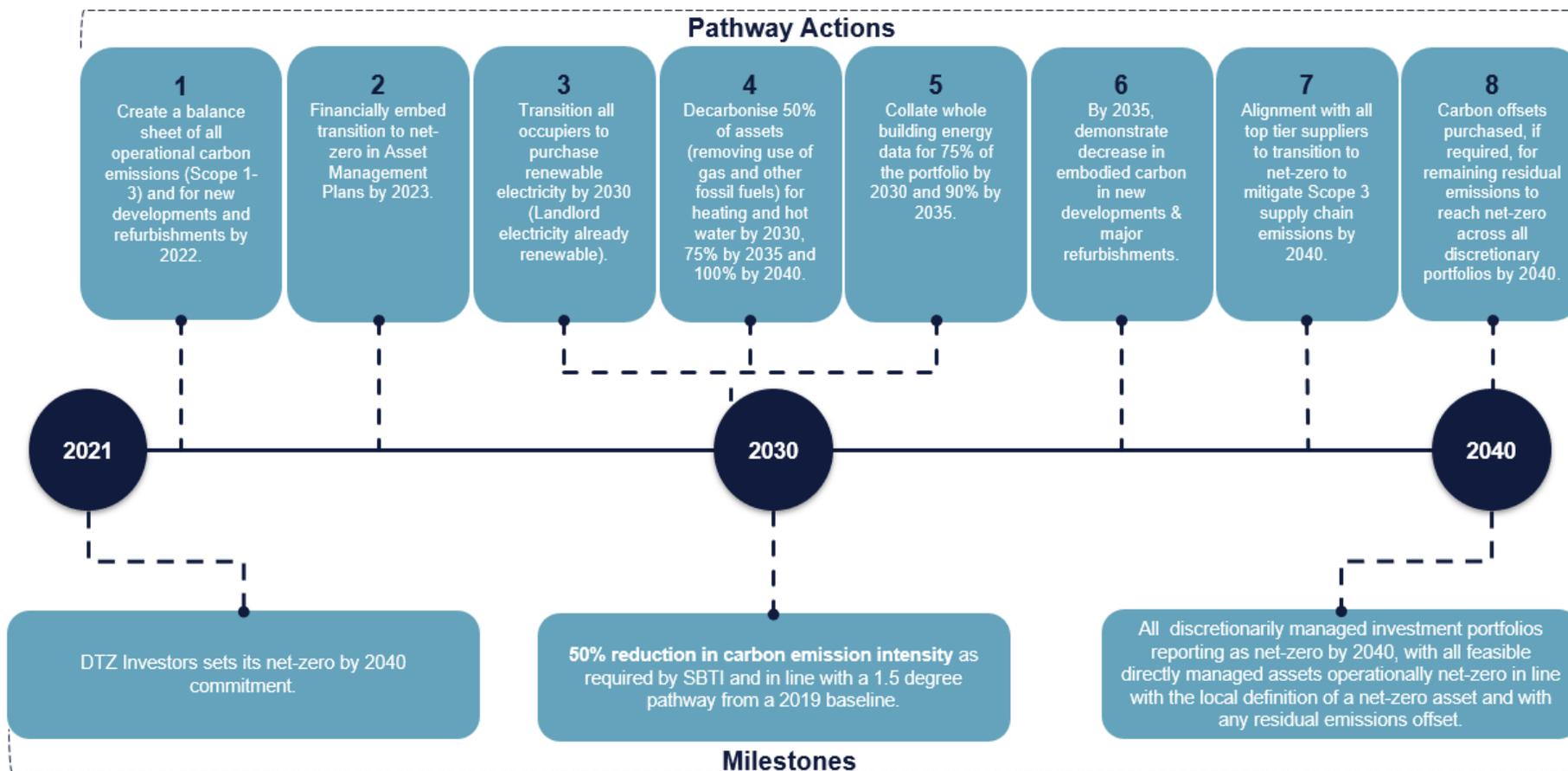
Rating	Current actions	Proposed refinements/additions
<p>Red overall</p>	<ol style="list-style-type: none"> 1. Verification of data around transition readiness/ strategy 2. Acceleration of engagement between the manager and company around demonstrating intention to address the climate transition. 3. Engage with asset manager around intention to sell; consideration of current rationale for hold and price/value. 4. If the above do not result in improved score, sale to be agreed with investment manager and implemented over period of time 	<ol style="list-style-type: none"> 5. Verification of data around transition readiness/ strategy <ul style="list-style-type: none"> • Re-score based on evidence provided – set a timescale for this – propose by end Q3 each year • No requirement for the company to meet further public disclosure, this is for Fund use only 6. Acceleration of engagement <ul style="list-style-type: none"> • Based on the sub sections and criteria where there may be room to improve 7. After suitable timeframe - propose 1 year following step 1's conclusion - engage with manager on progress or continued rationale to hold 8. If unsatisfactory progress on score or insufficient rationale to maintain holding (explanations to be given against each criteria by the manager), sale of stock to be discussed and suitable time period agreed
<p>Red in one sub sector / Amber overall</p>	<ul style="list-style-type: none"> • Active stewardship actions triggered. This should feed into Sustainalytics and their engagement priority plans. • Manager to present business case for holdings on annual basis, addressing low scoring areas • If engagement resulted in no improvement in score after 2 years, consider shareholder resolution OR mandate that investment managers remove that security from portfolios. 	<ul style="list-style-type: none"> • List of specific areas based on the sub sections and criteria where there may be room to improve to be provided to Sustainalytics and request summary of outcomes. • Set timeframe for this – propose summary of outcomes to be received by the following year's scoring work.

<p>Amber in any sub sector</p>	<ul style="list-style-type: none"> • Flagged for active engagement actions 	<ul style="list-style-type: none"> • List of specific areas based on the sub sections and criteria where there may be room to improve to be provided to Sustainalytics and request summary of outcomes. • Set timeframe for this – propose summary of outcomes to be received by the following year’s scoring work.
<p>Green overall</p>	<ul style="list-style-type: none"> • Monitor rating annually • Any decline in rating overall or at sub sector level triggers actions above 	<p>No changes proposed.</p>
<p>Grey (due to lack of data)</p>	<ul style="list-style-type: none"> • Flagged for further data verification. Engage with asset manager around obtaining sufficient data to complete scoring. • Manager to present business case for holdings on annual basis, addressing data gaps. • 	<p>N/a given proposal to remove this rating.</p>

UK Property Portfolio

NET ZERO TARGETS

DTZ Investors is committed to achieving net-zero for its clients' direct investment portfolios by 2040.



Engagement Initiatives

- **Climate Action 100+** (SPF was a founding member in 2017)
Climate Action 100+ (CA100+), backed by many of the world's most influential public pension funds, (700 investors - over \$68 trillion in assets) engages with 167 of the world's biggest listed corporate emitters to drive faster corporate climate action in line with net-zero emissions by 2050 or sooner.
- **CDP**
The Fund is a signatory to the **Climate Change** and **Water** and **Forest** programs of **CDP** (formerly the Carbon Disclosure Project).
- **CDP Climate Change** requests information on climate risks and low carbon opportunities from the world's largest companies and encourages them to take action to reduce their Green House Gas emissions by making investments in emissions reduction activities that have a satisfactory financial return. The data disclosed through the CDP platform provides the investment community with high quality, consistent and comparable data at scale, in line with the TCFD recommendations.
- **CDP Forest** and **Water** programs engage companies to disclose their exposure to commodities responsible for most agriculture-related deforestation: palm oil, timber products, cattle products, soy, natural rubber, cocoa and coffee and to disclose their exposure to water risks and opportunities.
- **CDP Non-Disclosure Campaign** is a global investor-led campaign to drive enhanced corporate transparency around climate change, deforestation and water security. The Campaign targets those companies that continually decline to disclose and offers a tangible process in which they can contribute to driving corporate action and broadening the coverage of environmental data. Companies engaged are 2.3 times more likely to disclose than those that were not targeted.
- **Science-Based Targets initiative (SBTi)** is a collaboration between **CDP**, **World Resources Institute**, the **WWF**, and the **UN Global Compact**, which aims to define and promote best practice in greenhouse gas emissions reduction target-setting. More than 1,800 companies, equivalent to 25% of total global emissions, are targeted.
- **Investor Decarbonisation Initiative (IDI)** (SPF is a founding signatory).
The IDI was established in 2015 to harness investors' power to accelerate corporate action to decarbonise in line with the Paris Agreement. Between 2015 and 2021, IDI members achieved considerable success in securing new corporate commitments from companies across the global economy, including Siemens, GSK and Tesco. These companies agreed to

sign up to The Climate Group 100 initiatives, for example, on renewable energy (RE100) and the Science-Based Targets Initiative (SBTi). Since 2021, ShareAction's climate work has changed to focus on encouraging ambitious climate transition plans in high carbon sectors, such as the built environment and chemicals sector. This shift reflects ShareAction's belief that companies need to move beyond making broad commitments and target-setting, to adopting credible, sector-specific climate transition plans. IDI is committed to the concept of a just transition, which ensures the social and economic impacts of this climate transition are fair and inclusive for workers, communities, and consumers.

- **Net Zero Engagement Initiative**

SPF joined shortly after it was launched by IIGCC in December 2022.

The Net Zero engagement initiative aims to enable net portfolio alignment by supporting investor engagement seeking the disclosures investors need from companies to determine if they are aligned with net zero. The Initiative deploys a two-tiered engagement approach to enable the best use of investor time to both scale and deepen engagement. This will be supported by regular progress monitoring to ensure resource is deployed efficiently.

The Initiative has an initial target of a minimum of **100** significant GHG emitters that are critical to the overall transition to net zero.

SPF is an active participant in the Initiative, including leading on company engagements where appropriate.

- **Investor Initiative for Sustainable Forests (IISF)**

The IISF aims to transform industry practices to eliminate deforestation from cattle and soy supply chains in the Amazon.

The conversion of forests, savannahs and peatlands to agriculture exacerbates agriculture's contribution to climate change and its harmful impacts, including water scarcity, lower yields and less reliable production because of droughts and floods.

The initiative also addresses other ESG issues related to soft commodity production, such as poor working conditions, land rights and impact on indigenous peoples. The initiative engages with over 40 companies across the supply chain of these commodities.

- **Food Emissions 50** (SPF is a founding signatory).

Food Emissions 50 campaign aims to accelerate progress towards a net zero future in the food and agriculture sector by engaging the 50 of the highest-emitting public food companies in North America to improve greenhouse gas emissions disclosures, set ambitious emission reduction targets, and implement credible climate transition action plans in line with

Paris Agreement. The 50 companies are well known major brands and include McDonald's, Starbucks, Kellogg, Beyond Meat, Domino's Pizza and Walmart.

- **Local Authority Pension Fund Forum (LAPFF)**

SPF joined LAPFF in 2014. LAPFF's main engagement objectives are for companies to align their business models with a 1.5 degrees scenario and to push for an orderly net-zero carbon transition. Companies are encouraged to incorporate just transition considerations into their net-zero plans to ensure the whole of society – all communities, all workers, all social groups – are brought along in the pivot to a net-zero future. LAPFF issues voting alerts for members where deemed necessary or helpful. The recommendations are provided on a case-by-case basis and take account of previous company engagement on the relevant topic. SPF receives periodic voting alerts for companies where LAPFF has identified serious ESG concerns and where attempts to engage with the company have been unsuccessful.

SPF is also a signatory to the [UK Stewardship Code](#) and publishes a comprehensive annual report on engagement activity.