Strathclyde Pension Fund

Summary of Climate Change Strategy

Strathclyde Pension Fund (SPF) believes that Climate Change is a systemic risk and thus a material long-term financial risk.

The Fund supports the recommendations of the **Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).**

TCFD provides a global framework to enable stakeholders to understand the financial system's exposure to climate-related risks. The Fund has committed to reporting on its approach to climate risk using the TCFD framework

Control and mitigating actions listed against the risk from climate change include: SPF's climate change strategy, responsible investment strategy, diversification of investments, the Strathclyde Direct Investment Portfolio (DIP) and other positive investment opportunities.

Governance

- The Strathclyde Pension Fund Committee receives regular reports on the Fund's responsible investment activity including Climate Change.
- The Committee and officers are directly involved in analysis and decision making in respect of the Fund's Direct Investment Portfolio (DIP). To date, DIP has committed more than **£500m** to renewable energy infrastructure investments. SPF has also committed **£750m** to a global Infrastructure fund with a one third allocation to renewable energy assets.
- Day-to-day management of SPF's Climate Change strategy is largely delegated to the Fund's external investment managers.
- A bi-annual carbon footprinting exercise is used to assess both the risks from Climate Change and also areas of opportunity.
- SPF employs a specialist advisor, Sustainalytics, to focus engagement activity and to monitor voting activity on active equity holdings, with specific focus on Climate Change related resolutions.

Strategy

- SPF has a global investment strategy widely diversified by geography, asset class, sector and manager. Given the diversified nature of the Fund's strategy it will be exposed to all of the risks identified by the Task Force on Climate-Related Financial Disclosures (TCFD), though the degree and timing of the impact cannot be accurately gauged.
- SPF is primarily an equity investor, therefore the Fund's primary concern is that its equity investment managers and the management of the companies in which they invest have fully assessed climate –related risks and the potential impact on asset valuations, in particular from:

- obsolescence, impairment or stranding of assets;
- changing consumer demand patterns; and
- changing cost structures including increased emissions pricing, insurance and investment in new technologies.

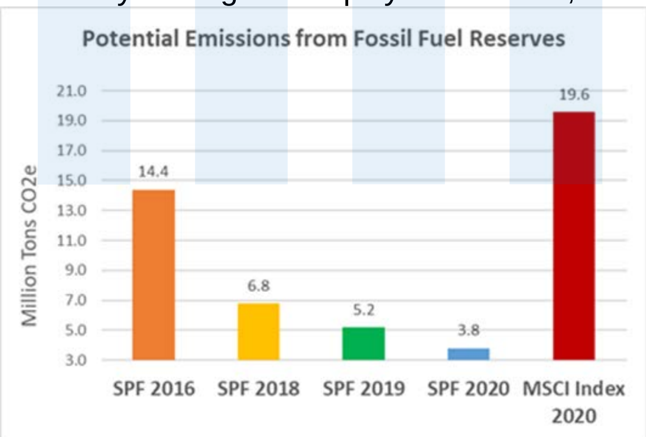
- SPF, and all of its investment managers, are signatories to the UN Principles for Responsible Investment (PRI).

Risk Management

- External investment managers take into account any climate-related risks when making their investment decisions.
- SPF and Sustainalytics work with managers to ensure that these risks are being assessed and addressed. Carbon footprinting is used to inform this process.
- SPF also addresses these risks through its active participation in the Local Authority Pension Fund Forum (LAPFF), ShareAction, the Institutional Investor Group on Climate Change (IIGCC), Carbon Action, Climate Action 100+, and other ad hoc alliances.

Metrics and Targets

- Strathclyde Pension Fund's Climate Change strategy has the explicit objective of implementing an investment strategy that is consistent with achieving the goal of global net-zero emissions by 2050.
- SPF has a target of net-zero emissions across its own portfolios by 2050.
- SPF has engaged the leading carbon audit service provider, MSCI, to provide carbon and emissions footprinting.
- In 2020 the Fund's weighted average listed equity footprint was 146.2 tCO2e/£ revenue. This was 23.6% lower than in 2018 and 5.0% lower than that of the MSCI All Country World Index.
- The analysis further highlights that dominant sectors, in terms of emissions, tend to be Energy, Utilities, and Materials - contributing 82.4% of the carbon footprint.
- The carbon footprinting analysis has considered the risk of 'Stranded Assets' in the Fund's listed equity. The chart opposite provides a year on year view of the Fund's ownership of potential emissions from all proven reserves of Thermal Coal, Oil and Gas owned by all the fossil fuel companies held in the Fund's active equity portfolios. Expressed as millions of tons of Co2 and compared to an equal value of the most widely used global equity benchmark, the MSCI All Country World Index.



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The Institutional Investors Group on Climate Change

A proud participant of: Climate Action 100+ Global Investors Driving Business Transition

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