NILGOSC
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE

Climate-related Disclosures Report

Report prepared in alignment with the recommendations on the Taskforce on Climate-related Financial Disclosures

31 March 2024

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Introduction to TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (FSB). The TCFD's purpose was to improve and increase reporting of climate-related financial information, and in 2017, the TCFD released its climate-related financial disclosure recommendations.

The eleven disclosure recommendations (Appendix 1) are structured around four thematic areas: governance; strategy; risk management; and metrics and targets. They are designed to make TCFD-aligned disclosures clear and comparable, but with sufficient flexibility to allow reporting entities to leverage existing processes.

The Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC/the Fund) considers the disclosure of climate risks and opportunities to be essential if shareholders are to determine whether the companies in which they invest are adequately addressing the changing climate. Improving the quality, consistency and transparency of climate-related financial disclosures will allow economies to have the necessary information to better assess the impact and effects of an organisation on climate change.

NILGOSC was named on the official list of supporters in June 2020. By publicly declaring support for the TCFD and its recommendations, NILGOSC sought to demonstrate that, alongside other supporters, it is taking action to help build a more transparent and resilient financial system through climate-related disclosure.

TCFD-aligned disclosure is currently voluntary for NILGOSC; however, supporters are expected to encourage TCFD implementation, therefore NILGOSC produced its inaugural Climate-related Disclosures Report as at 31 March 2021, utilising the TCFD's framework to describe and communicate the steps the Fund is taking to manage climate-related risks and incorporate climate risk management into its investment process. Regulatory disclosure is expected to follow in due course, as TCFD-aligned climate risk disclosures have now been mandated in many jurisdictions globally.

In the UK, regulations came into force in 2021 requiring the trustees of occupational pension schemes in Great Britain to produce and publish a TCFD report. On 1

September 2022, the UK's Department for Levelling Up, Housing and Communities launched an open consultation seeking views on proposals to require Local Government Pension Scheme (LGPS) administering authorities in England and Wales to assess, manage and report on climate-related risks in line with the TCFD recommendations. The consultation ended in November 2022, with 109 responses. The timeline is unknown, however legislation is expected for LGPS in both regions. In Northern Ireland, it is anticipated that the Department for Communities will follow suit with equivalent legislation.

As a result of the TCFD's success in developing a framework of recommendations that became the foundation for many national and international climate-related disclosure requirements, including the global baseline set by the International Sustainability Standards Board's (ISSB) general sustainability-related and climate-related disclosure standards; in October 2023, it was announced that the taskforce had fulfilled its remit and the TCFD was disbanded. The International Financial Reporting Standards (IFRS) Foundation took over the role of monitoring the progress of companies' climate-related disclosures.

NILGOSC continues to support the recommendations, and in 2022/23, procured the long-term provision of TCFD-aligned carbon analytics as part of the remit of its global custodian, the Northern Trust Company (Northern Trust). It is hoped that by working closely with one provider, NILGOSC will benefit from consistent data outputs allowing year-on-year comparison, as well as continued evolution of the ESG analytics service and increased coverage over the length of the contract.

In both the occupational pension scheme regulations, and the proposed drafting accompanying the LGPS consultation, scheme trustees are asked to undertake relevant activities to make disclosures "as far as they are able". NILGOSC has used its fourth year of voluntary reporting to further develop its activity and capabilities, while also highlighting areas to focus on in subsequent reporting periods.

Governance

The Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) is a non-departmental public body (NDPB) sponsored by the Department for Communities (Northern Ireland). It was established on 1 April 1950, by the Local Government (Superannuation) Act 1950, to administer and maintain a fund providing pension benefits for employees of local authorities and other admitted bodies.

NILGOSC's corporate vision is "to provide an excellent and sustainable pension scheme" and its mission statement is "to operate the pension scheme efficiently and effectively while enhancing the quality of service provided to stakeholders". NILGOSC's overriding obligation is to act in the best financial interests of the pension scheme beneficiaries, seeking a return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance (ESG) factors, including climate change, negatively impact the value of investments held if not understood and evaluated properly. Therefore, as part of NILGOSC's fiduciary role, it makes the consideration of such matters part of its risk management and investment process.

Climate change, in particular, is a global challenge for governments, corporations and institutional investors alike. NILGOSC acknowledges that the changing climate will have a significant impact on the global economy, corporations and society, whether through direct physical impacts, tighter regulations or reputational damage suffered by those who fail to adequately address the risks posed.

NILGOSC's oversight of climate-related risks and opportunities

NILGOSC is the corporate body responsible for the administration of the Local Government Pension Scheme (LGPS) in Northern Ireland and is managed by a Management Committee (the Committee). The Committee is responsible for approving and monitoring NILGOSC's investment strategy (which is reviewed triennially). The Committee also regularly reviews NILGOSC's: Statement of Investment Principles; Statement of Responsible Investment; and Climate Risk Statement.

The Statement of Investment Principles and Statement of Responsible Investment set out NILGOSC's approach to incorporating responsible investment considerations, including climate risk, into its investment strategy and decision-making process. The Climate Risk Statement acknowledges the individual, material importance of climate risk as an investment issue and sets out the steps taken to address it, both at a policy and portfolio level. NILGOSC considers that this approach is consistent with its legal duty to act in the best long-term interests of its members and to deliver the long-term returns necessary to ensure an affordable and sustainable pension fund. In addition to setting out how climate risk is taken into account across the range of assets in which it invests, the Climate Risk Statement also sets out how NILGOSC will consider the opportunities that the changing climate presents. All documents are publicly available via NILGOSC's webpage on being a responsible investor.

All external managers are appointed by the Committee and selection exercises incorporate mandatory criteria in respect of the ability to take climate risk into account in the investment process. NILGOSC will only appoint investment managers who have demonstrated that they meet an acceptable threshold for ESG capabilities and have the necessary expertise in assessing climate risk. The Committee reviews performance on a quarterly basis by way of a balanced scorecard, which assesses investment managers against a range of qualitative criteria, one of which relates to the inclusion of ESG factors in the decision-making process. In addition, the Committee receives an annual briefing report on each investment manager, which includes a dedicated section on ESG performance.

The Committee receives regular training on responsible investment, including climate risk, through a combination of in-house training and attendance at external conferences.

Furthermore, before making an investment decision, NILGOSC is required to obtain and consider proper advice, from an advisor with appropriate knowledge and experience (as defined by section 36(6) of the Pensions (Northern Ireland) Order 1995).

Management's role

Day to day implementation of NILGOSC's climate risk policy and responsible investment strategy is delegated to the Secretary and the Investment team, with primary responsibility sitting at a senior level with the Investment Services Manager.

NILGOSC's assets are externally managed. The Investment Team are responsible for monitoring the ESG performance of external managers, specifically managers' compliance with NILGOSC's Climate Risk Statement. NILGOSC also has a bespoke Voting Policy which sets out its expectations for good governance, including how companies manage their impact on society and the environment. This policy sets out how NILGOSC addresses sustainability-related resolutions, including specific reference to climate risk and climate related financial disclosures. Full disclosure is highlighted on NILGOSC's webpage surrounding their voting policy and activity.

The Investment team are also responsible for liaising with the Investment Advisor to ensure that climate risks and opportunities are taken into account both when setting the investment strategy, and when selecting individual funds and managers. NILGOSC will only appoint investment managers and consultants who have demonstrated that they meet an acceptable threshold for ESG capabilities.

NILGOSC seeks to collaborate with like-minded investors and shares knowledge and resources on managing climate risk through its membership of industry initiatives including: the United Nations supported Principles for Responsible Investment (PRI); the Institutional Investors Group on Climate Change (IIGCC); the CDP (formerly the Carbon Disclosure Project); Climate Action 100+; the UK Pension Fund RI Roundtable; and the Occupational Pensions Stewardship Council (OPSC), the latter two of which have since merged to form the Asset Owner Council (AOC).

Strategy

NILGOSC aims to invest the assets of the Fund prudently, ensuring an appropriate balance between risk and return so that the benefits promised to members can be provided, and to provide reasonable stability in contribution rates for the employers.

In setting the Fund's investment strategy, NILGOSC first considers the lowest risk strategy that it could adopt in relation to the Scheme's liabilities. The investment strategy is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities. The strategy is formally reviewed every three years, taking into account the nature and timing of the Fund's liabilities identified through the triennial actuarial valuation. NILGOSC's most recent strategic review commenced in 2024.

The Fund's investments are diversified across various asset classes in order to increase the overall expected returns while reducing the overall level of expected risk. NILGOSC considers it to be in the long-term interests of its members to promote climate risk mitigation and adaption in the implementation of its investment strategy.

Climate related risks and opportunities

As a diversified asset owner, the range of climate related risks and opportunities are varied and constantly evolving.

In its Climate Risk Statement, which was last updated in November 2023, NILGOSC classifies climate risk into three broad categories: policy risk; technology risk; and physical risk, the first two of which fall under the bracket of 'transition risk', which is the risk to underlying assets in a portfolio resulting from changing policies, practices and technologies as countries move towards reducing their carbon reliance. The other primary climate-related risk is 'physical risk', which can be either acute or chronic in nature. Different asset classes will be susceptible to different risks, over different time frames, with some assets demonstrating more sensitivity than others, even within a particular asset type or sector. As a general rule, more liquid assets (like equities and bonds) will be impacted more quickly by policy changes, than real assets (such as property or infrastructure) will be.

- **Policy risk**: the impact of policy decisions and regulatory change on global economies, companies and individual investments is considered to be both a short and medium-term risk as the exact timescales of necessary changes remains unclear. Current global policy is not aligned with the aims of the Paris Agreement, which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C. It is not clear how quickly, if at all, governments will act to meet their commitments.

- The implementation of long-term global climate stabilisation targets and securing sufficient investment in future low carbon patent revenues is considered an opportunity for investors. However, **Technology risk** covers the risk that key low or no carbon technologies do not deliver as planned, as well as the risk incurred if the costs of transitioning to lower emissions technology are more extensive than expected. Technology risk is considered a short to medium term risk and is linked to the pace of policy change.

- **Physical risk**: the impact of extreme weather, flooding, droughts and rising sea levels on industry, physical assets, companies and infrastructure is

considered a medium to longer term risk. Physical risks will have financial implications for schemes, such as direct damage to assets and indirect destabilising impacts from supply chain disruption. Other potential impacts of physical changes in the climate are wider economic and social disruption, including mass displacement, environmental-driven migration and social strife.

All of which can impact changes in consumer behaviour and cause shifts in consumer preferences, affecting the market value of assets within the portfolio.

Figure 1: Examples of Short, Medium and Long-term risks

	Short and Medium-term risks	Long-term risks
Acute Risks	Stock price movements	Extreme weather events (flooding, droughts, storms)
Chronic Risks	Policy changes Regulatory changes Technological changes Changes in consumer behaviour Reputational damage Carbon pricing	Rising sea levels Stranded assets Resource availability Temperature extremes Water stress
Assets	Equities Index-linked gilts Absolute return bonds (ARB) Multi-asset credit (MAC)	Infrastructure Property

As referenced, the changing climate may also provide opportunities for investors and, like risks, these will vary across asset classes, sectors and individual portfolio holdings. NILGOSC has instructed its Investment Advisor to consider opportunities arising from climate change in the provision of advice, including the proactive consideration of opportunities to invest in low carbon assets. With respect to its real asset allocation, NILGOSC encourages its managers to consider investment opportunities in low carbon infrastructure and real estate where appropriate.

Impact of climate-related risks and opportunities

The primary risk to NILGOSC is that its investment strategy and individual portfolios are not properly positioned to avoid the risks, or to avail of the opportunities, presented by the changing climate. As the investment strategy is intrinsically linked to the funding strategy, any material impact on investment returns will result in changes in cost to scheme employers. As set out in the Climate Risk Statement, NILGOSC has developed a suite of procedures and policy documents which set out how climate risks and opportunities are incorporated into its investment processes and practice.

NILGOSC's Corporate Plan includes the strategic objectives of: investing scheme funds in accordance with the Statement of Investment Principles; ensuring effective stewardship in line with the Statement of Responsible Investment; and managing the investment risks posted by climate change. The Plan includes a number of climate related operational actions to assist meeting those objectives, such as undertaking carbon intensity and scenario analyses, and disclosing the outputs of both.

NILGOSC believes that diversification across asset classes, geographies and sectors is an important tool to manage risk, although the Fund recognises that climate risk is systematic and cannot be eliminated through diversification alone. NILGOSC's assets are externally managed, and managers are required to incorporate ESG factors including climate risk, into their investment decision-making processes, in line with NILGOSC's Statement of Investment Principles, Statement of Responsible Investment and Climate Risk Statement.

The Investment team works with its external managers to identify elements of individual portfolios which have a higher exposure to carbon. Managers report on ESG performance quarterly and present an annual briefing report to the Committee which includes a dedicated section on ESG performance. Managers are asked to: account for how climate risk is integrated into decision making; and disclose any holdings in coal, oil and gas extraction companies, plus a rationale (if any are held).

A significant portion of NILGOSC's assets are held passively and managed by Legal & General Investment Management (LGIM). Passively managed funds are designed to follow an index, which means no active decision-making is undertaken when selecting stocks, and ESG risks cannot be taken into account. However, a decision

can be made as to which index to track. Therefore, as a means of mitigating climate risk in the Fund's passive equity portfolio, in February 2022, NILGOSC transitioned its passive equities (equating to £2.8 billion at that time) to a fund which tracks the climate-tilted 'Solactive L&G Low Carbon Transition Developed Market' index.

The strategy behind the index is to self-decarbonise by reducing exposure to carbon emissions over time. The index has an overall objective, which is to meet the stricter of: a 'carbon emission intensity reduction objective' of at least 70% (except for the UK region, where the reduction is set to 60%) compared to the base regional index; or a 'decarbonisation objective' of at least 7% year-on-year. The universe of holdings within the index covers all developed markets but excludes companies on LGIM's Future World Protection List, namely: companies considered as perennial violators of the UN Global Compact; certain companies involved in controversial weapons manufacturing and production; and certain companies with involvement in mining and extraction of thermal coal, thermal coal power generation or oil sands. Each holding within the remaining universe is assigned a 'carbon score', based on three indicators: emissions intensity; reserves intensity; and green revenues. Using the overall climate scores, an adaptive tilt away from climate laggards and towards climate leaders is applied to capital allocation within the index.

NILGOSC has also invested in several low-carbon opportunities via its infrastructure investments. For example, as at 31 March 2024, at least 16.5% of NILGOSC's infrastructure holdings were invested in renewables (including solar, wind and battery storage assets) and 12.4% was invested in energy transition assets (such as district heating and geothermal heat pumps). The figures do not account for committed, but not-yet-drawn, investment.

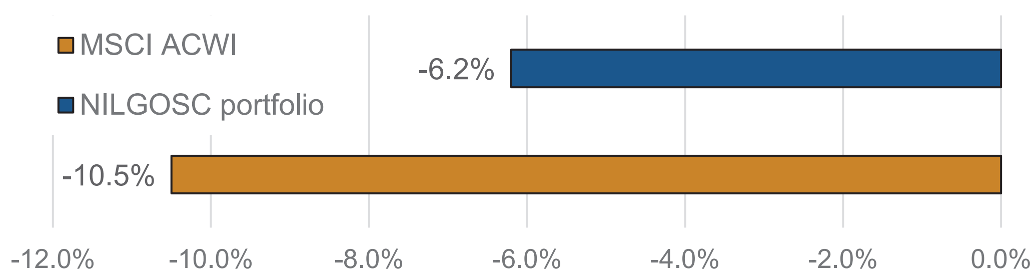
Challenges continue to exist in respect of the limitations and backward-looking nature of carbon disclosures. NILGOSC undertook its first portfolio-wide carbon analysis as at 31 March 2021, which was only backward-looking in nature. In the exercises conducted since, forward-looking metrics such as scenario analysis have been undertaken, albeit the methodologies for such projections are evolving and there are limitations in coverage. The continued use of such analysis, as well as continued engagement with investment managers and advisors, will help determine next steps in assessing and managing NILGOSC's exposure to various climate outcomes.

Resilience of the investment strategy

NILGOSC is a diversified asset owner with investments in many asset classes. The Investment team are responsible for liaising with the Investment Advisor to ensure that the impact and opportunities presented by climate change are taken into account when setting and implementing the investment strategy, and analysis of multiple potential scenarios (including those influenced by climate change) are undertaken when setting the strategy on a triennial basis. So too, it was recommended by TCFD that climate scenario analysis is undertaken at least triennially.

For the reporting as at 31 March 2022, NILGOSC procured the services of MSCI ESG Research LLC (MSCI) to specifically model the Climate Value-at-Risk (Climate VaR) of the portfolio, which is a forward-looking assessment that can help determine the resilience of an organisation's strategy. MSCI were able to assess 49.8% of the fund (primarily equities and corporate fixed income). The part-portfolio was compared to the performance of a portfolio replicating the MSCI ACWI benchmark. NILGOSC's **Portfolio Climate VaR** within a 2°C transition scenario[1] is presented in Figure 2:

Figure 2: 2°C transition scenario – NILGOSC's Climate VaR at 31 March 2022



As disclosed, NILGOSC's portfolio valuation stood to be negatively affected by -6.2% in a 2°C transition scenario. Although, such a loss presents a considerable risk to the overall Fund, it was found to be less exposed than the benchmark which demonstrated a value loss of -10.5% as at the same date.

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[1] MSCI utilise the 'Asia-Pacific Integrated Modelling/Computable General Equilibrium' (AIM/CGE) model which represents all economic activities and is designed to have the flexibility to be used at a global and individual country scale.

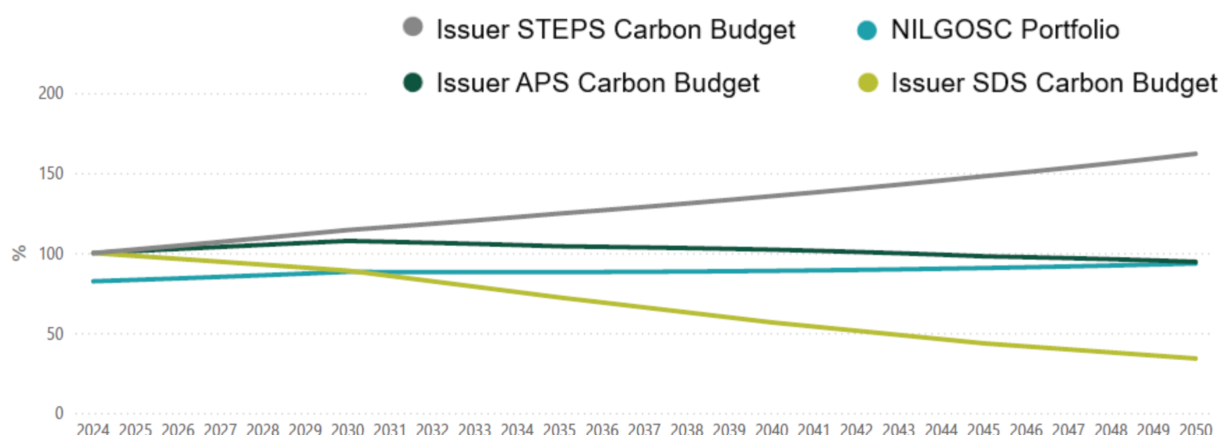
Northern Trust (and their external specialist data provider ISS ESG) take a different approach when undertaking scenario analysis, presenting instead 'scenario alignment analysis' which compares the greenhouse gas (GHG) emissions of the current portfolio with three climate scenarios produced by the International Energy Agency (IEA), utilising the Global Energy and Climate (GEC) Model to examine future energy trends. The GEC Model was updated in 2023:

- **Sustainable Development Scenario** (SDS): wherein key energy-related UN Sustainable Development Goals are achieved, reaching global net zero emissions by 2070. In this scenario, temperatures exceed 1.5°C by the early 2030s and reach a peak of 1.7°C around 2050.
- **Announced Pledges Scenario** (APS): illustrates the extent to which announced ambitions and targets can deliver the emissions reductions needed to achieve net zero by 2050. It reflects that all climate commitments made by governments and industries as of 31 August 2023, including Nationally Determined Contributions (NDCs) and longer-term net zero targets, will be met in full and on time. The scenario projects a temperature rise of 1.7°C by 2100.
- **Stated Policies Scenario** (STEPS): reflects current policy settings, based on a sector-by-sector and country-by-country assessment of the energy-related policies that are in place as of the end of August 2023, as well as those under development at the time. The scenario also takes into account currently planned manufacturing capacities for clean energy technologies. In this scenario, the temperature rises to 1.9°C in 2050 and 2.4°C by 2100.

Each scenario expects a certain level of temperature increase and is thus tied to a carbon budget, which specifies the cumulative amount of GHG emissions permitted in order to remain within a certain temperature.

As demonstrated in Figure 3 (overleaf), the analysis looks at a more immediate time horizon, demonstrating the pathway to 2050 for each of the three scenarios as well as the NILGOSC portfolio, based primarily on sectoral Scope 1 and 2 emission intensity.

Figure 3: NILGOSC's Portfolio Emissions Pathways vs. Climate Scenarios budgets at 31 March 2024



The scenario analysis combines the IEA scenarios with the Sectoral Decarbonisation Approach (SDA) as developed by the Science-based Targets Initiative (SBTi[2]), allocating a carbon budget to each company, based on its market share and the expected emissions trajectory associated with that sector.

The percentage alignment is normalised at 100% for the portfolio, as at the date under review, and the slope of the portfolio line is influenced by the portfolio composition and the ownership ratio in each company at the date of analysis. Emission reduction targets are also taken into consideration, and the expected trajectories of companies are adjusted downwards if companies have either: set ambitious decarbonisation targets; have committed to targets; or have approved Science-based Targets (SBTs).

Disregarding a temporary allocation to cash held at year end, in total, Northern Trust were able to assess 47.2% of the total fund at 31 March 2024 (this part-portfolio is referred to as the 'NILGOSC portfolio' throughout). The analysis demonstrates that

[2] The Science Based Targets initiative (SBTi) was established in 2015 to help companies set emission reduction targets in line with climate science and the Paris Agreement goals. Best practice as identified by SBTi is for companies to adopt transition plans covering scope 1, 2 and 3 emissions, set out short-term milestones, ensure effective board-level governance and link executive compensation to the company's adopted milestones. Companies must use the SBTI's criteria to set a target(s), submitting the target(s) to the SBTi for official validation and approval.

the trajectory of the part-portfolio is Paris-aligned until approximately 2030, at which point, if no changes were made to the 31 March 2024 holdings, it will contribute towards an over 1.5°C warming outcome by 2050. Despite the portfolio comparing well to the STEPS (stated policies) scenario and not meeting the APS (announced pledges) scenario until 2050, the analysis identifies more immediate misalignment with the Paris Agreement (SDS). As above, expected trajectories of the NILGOSC portfolio will be adjusted downwards if companies set ambitious targets, make a commitment to SBTs or set approved SBTs, and therefore can be influenced by continued engagement with asset managers and underlying holdings.

Separately, a number of the segregated mandate managers (particularly of the property assets, which are not otherwise encompassed within the portion of NILGOSC's Fund that MSCI or Northern Trust can currently assess) have carried out scenario analysis in order to assist the prioritisation of engagement activities and identify further opportunities to mitigate exposure to climate hazards.

When assessing the valuation of the Fund as a whole, the Scheme actuary also undertook climate scenario analysis on the asset allocation as at 31 March 2022 in order to test the resilience of the Fund to climate related risks over the 10-20 year time horizon. The scenarios considered included: a Paris-aligned orderly transition; a fragmented base case transition' and a disorderly transition, demonstrating the volatility of the funding level over the medium term. Similarly, in the delivery of the triennial strategy review in 2021, detailed modelling was carried out by NILGOSC's Investment Advisor, quantifying the VaR under various strategies and stressors. The Capital Market Assumptions (CMAs) used in setting the high-level investment strategy account for climate change indirectly with the view that the effects of climate change are captured in the economic outlook and market pricing that feeds into the return assumptions. NILGOSC's most recent strategic review commenced in 2024.

The use and methods of calculating scenarios to assess climate related issues and their financial implications are evolving. Although it is well documented that translating climate scenario analysis into an investment strategy is challenging, NILGOSC believes it is worthwhile procuring climate-related data in order to support robust decision making.

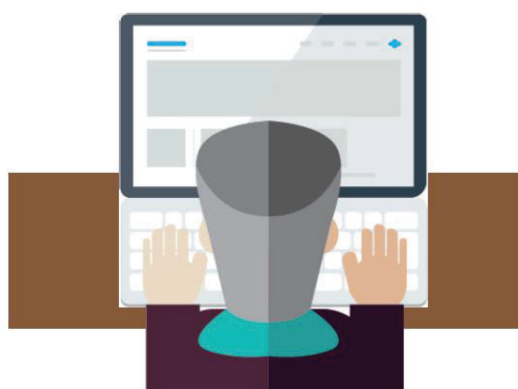
Risk Management

NILGOSC's processes for identifying and assessing climate-related risks

NILGOSC's Climate Risk Statement sets out how it will identify and classify climate risks together with the steps which it will take, both at a policy and portfolio level. Day-to-day, climate related factors and risks are managed on a delegated basis by individual investment managers. The Statement requires that, where climate change produces a financial risk for a particular investment, NILGOSC expects this to be a fundamental part of the investment decision-making process and will monitor such decisions accordingly. Quarterly reporting requirements, including engagement activity, are set out in contractual arrangements and are subject to ongoing review by the Investment team.

NILGOSC has instructed its Investment Advisor to consider the impact and opportunities presented by climate change in the provision of advice, both at an overall strategy level and individual investment level.

Furthermore, NILGOSC's support of and decision to commence voluntarily reporting in line with TCFD recommendations has introduced an annual process, through which, by compiling and preparing the climate-related financial disclosures, the Investment Team are given the opportunity to independently verify and assess the climate-related risks identified by the investment managers. The exercise also provides a means by which the portfolio as a whole can be reviewed, allowing action to be taken if needed.



NILGOSC's processes for managing climate-related risk

The processes for managing climate-related risks are set out in NILGOSC's Climate Risk Statement. Its approach is essentially a blend of top-down (asset allocation) and bottom-up stewardship (individual holdings). Climate risks and opportunities are taken into account at a strategic asset allocation level with specific advice sought from the Investment Advisor as part of the investment strategic review process.

The primary way in which NILGOSC has managed its climate related risks is through its stewardship activities. NILGOSC has a bespoke Voting Policy which sets out its expectations for good governance, including how companies manage their impact on society and the environment with specific reference to climate risk and climate related financial disclosures. NILGOSC uses its ownership rights to ensure that companies provide accurate and timely disclosure of the material risks and opportunities associated with climate change. By exercising its voting rights and via targeted engagement, NILGOSC encourages companies to be transparent and accountable in respect of their impact on the environment, for example through the setting of targets and timeframes for the reduction of GHG emissions. Where such disclosure is lacking, or where there are shortcomings in the steps taken to address climate risks and opportunities, NILGOSC will engage with companies either directly or by joining together with likeminded investors. In order to demonstrate effective stewardship of the assets it holds, NILGOSC prepares a comprehensive annual Stewardship Report to a June year end, submitting its report to the FRC for assessment. NILGOSC's reports are published on its website.

Examples of activities undertaken during the year ended 31 March 2024, include:

Date	NILGOSC's activity
June 2023	Responded to a **formal consultation** launched by the Department of Agriculture, Environment and Rural Affairs (DAERA) on developing the future regulations that will place **climate change reporting duties on specified public bodies in Northern Ireland**
June 2023	Signatory to the CDP's **2023-24 Science Based Targets Campaign**
June 2023	Signatory to an **IIGCC-facilitated letter to the EU commission** on Preserving the EU Taxonomy's sustainable purpose

Date	NILGOSC's activity (continued)
August 2023	Continued to meet the FRC's expected standard of reporting and remained a **signatory to the UK Stewardship Code 2020** for the reporting to 30 June 2022
September 2023	Supported a **joint letter from the IIGCC, PRI and UKSIF** to UK PM Rishi Sunak, making the argument that delaying key targets and lowering climate-ambitions could risk the UK missing out on investment to other regions and nations that are taking a more consistent, long-term approach
September 2023	Awarded the Sustainable Investment Strategy (Climate) award at the **2023 LAPF Investments Awards**, recognising NILGOSC's work on addressing climate risk in the Fund
October 2023	For the second year, NILGOSC supported the **CDP's 2023-24 Science Based Targets Campaign** – in which 2,100+ high impact global companies were written to, requesting they commit to and set a science-based target aligned with 1.5°C temperature scenarios to achieve net-zero value chain emissions before 2050
January 2024	Received **PRI assessment report** for the year ended 31 March 2023, demonstrating positive results for the year, and published on the website
February 2024	Endorsed the **PRI's Spring Initiative** which is designed for institutional investors to use their influence to halt and reverse global biodiversity loss by 2030

NILGOSC believes that active engagement is the most effective way to bring about change, both at a policy level and in respect of individual investments. NILGOSC considers divestment to be a blunt instrument which removes the ability to engage effectively with a company or government. NILGOSC does not therefore exclude investments nor divest solely on ESG grounds.

NILGOSC publishes both an annual voting report detailing the Fund's voting activity for assets held by its active managers, as well as detailed quarterly voting reports. In 2021, NILGOSC commenced publishing rationale for votes against management recommendations. In such circumstances, NILGOSC also issues letters to UK and European listed companies explaining the reason for voting against a management recommendation and initiating engagement with the recipient.

The Fund’s passively held equity is managed by LGIM, who cast all votes in respect of those assets. LGIM has a robust approach to incorporating climate change factors in its voting decisions, including on specific climate related shareholder resolutions. As disclosed, the passive equities track a climate-tilted index, within which each holding is assigned a climate score.

NILGOSC also encourages its real asset managers to adopt sustainable asset management practices with respect to its infrastructure and property holdings, and monitors progress and performance through regular engagement.

NILGOSC will only appoint investment managers and advisors who have demonstrated the necessary expertise in assessing climate risk. NILGOSC assesses these capabilities at the selection and appointment stage, by applying mandatory ESG criteria in the tender process.

Furthermore, as a TCFD signatory (until its disbandment in October 2023), NILGOSC is in its fourth year of undertaking an annual carbon analysis of as much of its portfolio as possible, the results of which can be used to monitor progress and aid engagement with the Fund’s managers on climate risk, allowing action to be taken if necessary.

How risk processes are integrated

NILGOSC's Corporate Risk Register includes a number of investment related risks, including two risks that relate specifically to responsible investment, namely that:

- responsible investment considerations are not taken into account in the implementation of the investment strategy; the primary consequences of which are documented as: reduced investment returns; reputational risk resulting in loss of confidence in the Scheme; and the potential for adverse publicity; and
- inaction to address and limit exposure to climate change risk will adversely affect investment returns; the main consequences are recognised as: sub-optimal returns; reduced investment returns; an increasing deficit; and insufficient funds to pay retirement benefits and pensions.

NILGOSC's Corporate Plan sets out the business objectives of complying with its regularly reviewed and updated statements and policies (Statement of Responsible Investment, Climate Risk Statement, Voting Policy, Statement of Investment Principles and Investment Monitoring Guidelines) and additional control measures include: engagement with managers; quarterly monitoring; advice of the Investment Advisor; support of industry initiatives; and disclosing in line with TCFD recommendations.

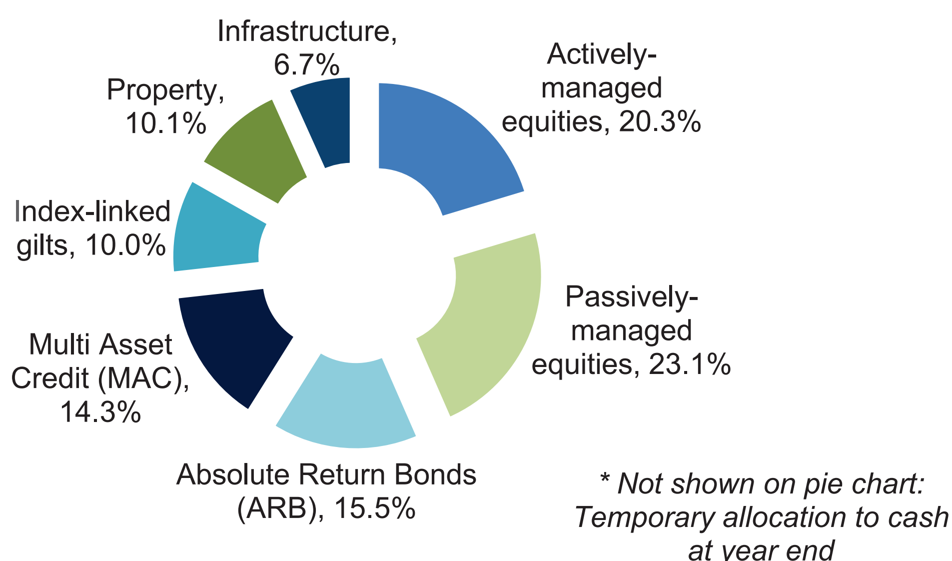
Ownership of the Corporate Risk Register and Corporate Plan sit with the Committee, with quarterly assurance on investment-related risks provided by the Head of Investment Services and Investment team.

Metrics and Targets

Overview

The value of the Fund as at 31 March 2024 was £10.5 billion (2022/23 £9.5 billion). NILGOSC's investments are diversified across various asset classes in order to increase overall expected return, while reducing the overall level of expected risk.

Figure 4: Assets as a percentage of total Fund* at 31 March 2024



** Not shown on pie chart: Temporary allocation to cash at year end*

In 2022/23, NILGOSC procured the services of its global custodian, Northern Trust, to carry out carbon analysis on the portfolio's assets on a semi-annual basis. At present, the analysis considers only listed equity and corporate fixed income assets. It is hoped that by working closely with one provider, NILGOSC will benefit from both year-on-year comparison, and a continued evolution of Northern Trust's ESG analytics service over an extended period of time.

Northern Trust utilise the data feed of external specialist provider ISS ESG, which is the responsible investment arm of Institutional Shareholder Services Inc. Disregarding a temporary allocation to cash held at year end, in total, Northern Trust were able to assess 47.2% of the total fund (this part-portfolio is referred to as the 'NILGOSC portfolio' throughout this section). Availability of carbon emissions data for the listed equities is 93.4% across the five equity mandates, but coverage of fixed income assets is much lower (22.7% across the four mandates), as indicated in Figure 5, overleaf.

The poor availability of data for asset classes other than listed equities is well documented, however it is hoped that securing a long-term service provider will allow NILGOSC to benefit from the continued evolution of the service and expansion of coverage into other assets.

Figure 5: Carbon Emissions Data Availability[3] (% Market Value)

Actively managed equities - Baillie Gifford	94.4%
Actively managed equities - Unigestion	93.3%
Actively managed equities – William Blair	80.5%
Actively-managed equities – Harris	93.1%
Passively managed equities - LGIM	94.4%
Absolute Return Bonds (ARB) - T Rowe Price	24.2%
Absolute Return Bonds (ARB) – RLAM	20.6%
Multi Asset Credit (MAC) – BlueBay	14.4%
Multi Asset Credit (MAC) – PIMCO	33.0%

Within the ‘Metrics’ disclosures, the total portfolio is benchmarked against the MSCI World Index (MSCI World). MSCI World is a global market index is designed to represent performance of the full opportunity set of large and mid-cap stocks across 23 developed markets. It covers 1,429 constituents, and approximately 85% of the free float-adjusted market capitalisation in each country, meaning it is a useful proxy for the market at large.

It should be noted that comparison with prior year reporting is not possible. In prior periods, Northern Trust used the Market Capitalisation of the issuers as the denominator to allocate GHG emissions to each portfolio. In response to evolving client requirements, regulatory change and data availability, Northern Trust recently updated the methodology for calculating position ownership, instead employing the issuers’ Adjusted Enterprise Value (AEV) to calculate ownership. Both measures are allowable market practices, however enterprise value denominators are often regarded as the preferred measure as they take an entity’s debt into the consideration when valuing.

[3] Data Availability represents coverage of each mandate for which the weighted average of corporates’ carbon intensity, using an Adjusted Enterprise Value allocation base, is available.

Carbon Emissions Template

To help plug some of the coverage gap, in addition to securing Northern Trust's analysis, NILGOSC also requested that all of its investment managers (with the exception of Harris Associates who were appointed in February 2024) complete the Carbon Emissions Template (CET) developed by the joint Pensions and Lifetime Savings Association (PLSA), Investment Association (IA) and Association of British Insurers (ABI) working group. Managers were asked to complete data as at 31 March 2024, however it was flagged that given the template was still relatively new to all parties, NILGOSC was keen to work with managers to understand both the availability and limitations of the data set, as well as updates to methodologies, with the expectation that data outputs will strengthen over time. The outputs were compared to Northern Trust's where possible, as well as to the managers' prior year submissions, and used as a tool for engagement with the managers.

For some managers, the data reported via the CET and that reported by Northern Trust was largely aligned, demonstrating similar trends. Discrepancies arose, where for example, the CET requested data using GBP as a denominator, but Northern Trust currently present their data using USD; the presentation and format of data differed across managers; and, in some cases, consistency of the date of data collation or calculation. Furthermore, in the case of fixed income managers, the managers often report higher coverage levels, or have alternative methodologies for estimating data. NILGOSC expects that, as the data requirements of the CET become more familiar, and methodologies for data collation continue evolving and converging, then such issues will be ironed out.

For the purposes of this report, the metrics presented are those from Northern Trust's analysis of the part-portfolio, primarily so as to allow for more ready comparison across managers within each asset class.

However, key takeaways from the third year of CET reporting are as follows:

- Two of the fixed income managers chose to break away from the CET format, applying the TCFD-aligned data points to their own presentational reporting formats and providing additional context. According to the managers, doing so

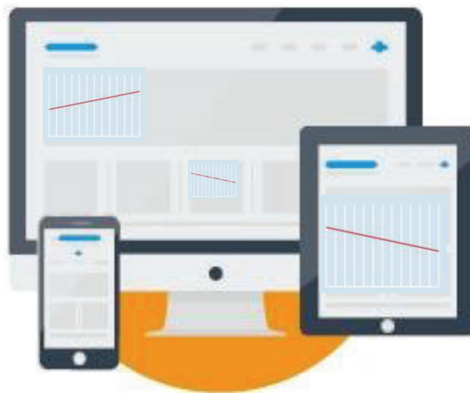
reduces the risk of manual errors as the reporting can be automated, and will aid comparison in future periods.

- The majority of fixed income managers also reported improving methodologies and changes to classifications undertaken over the year in line with best practice. In the long-term, stabilisation and maturing of the methodologies for calculating fixed income emissions is a positive update, albeit such updates make prior year comparison difficult.
- Analysis of the trends resulted in engagement with a number of managers highlighting changes in the portfolios over the year, for example:
    - PIMCO's proportion of holdings with approved Science-based targets decreased, primarily as a result of specific positions in the automative and banking sectors which were SBT-aligned maturing or being sold;
    - Unigestion noted extreme swings in 'reported' Scope 3 downstream emissions data, particularly data provided by six banking holdings in the portfolio which was largely related to the financing of emissions; and
    - LaSalle reported a significant drop in discrete GHG emissions when compared to prior year, largely due to the increasing proportion of 'actual' data for tenant spaces provided demonstrating the estimates used previously had been conservatively high.
- Baillie Gifford and William Blair do not 'internally estimate' emissions, but both reported an increase in 'reported' emissions from underlying holdings, meaning less reliance was placed on external estimations.
- Furthermore, for the first year, William Blair reported data on all portfolio holdings at year end, and introduced the provision of Scope 3 emissions data.
- CBRE reported an increase in assets with actual emissions data. The manager disclosed improvements in access to data over recent years; for example, by only investing in funds which participate in the GRESB assessment, which is a globally recognised standard by which investment positions can be compared and provides critical data on the sustainability performance of underlying funds.

- M&G have begun utilising a third party to estimate Scope 3 emissions, and have therefore commenced reporting on Scope 1, 2 and 3 emissions.

For the asset managers, as well as for asset owners, carbon analysis metrics, particularly the portfolio alignment and scenario analyses, are evolving. There is also work to be done regarding appropriate measures for certain asset types. For example, there is a debate across the property industry as to how the Weighted Average Carbon Intensity (WACI) can consistently be calculated for real estate as a sector. WACI provides an indication of a portfolio's exposure to potential carbon-related market and regulatory risks, since holdings with a higher carbon intensity are more likely to face increased exposure to potential climate change-related risks relative to other holdings. The British Property Federation and Association of Real Estate Funds have highlighted the potential variation in the WACI metric depending on the various weighting measures used, such as floor area, rent or valuation.

As above, it is expected that outputs of the CET will strengthen and methodologies will converge over time; allowing the data gathered to be compared, integrated into and used to supplement the metrics disclosures that follow.



Metrics to assess climate-related risks and opportunities

Drawing upon the guidance laid out in the TCFD recommendations, the following metric calculations were undertaken:

Absolute emissions metric

- Total GHG emissions (*tons CO2e*)

Emissions intensity metrics

- Carbon Footprint (*tons CO2e/$m invested*)
- Weighted Average Carbon Intensity (*tons CO2e/$m revenue*)

Portfolio alignment metric

- Climate Targets Alignment (%)

Different metrics may be selected for different parts of the portfolio, and the guidance suggests that metric selection should be reviewed and replaced if necessary.

Please note that the analysis does not include NILGOSC's carbon footprint as a standalone entity. The analysis is undertaken for the assets in which it invests, which are managed by external investment managers and located globally. Carbon risk metrics aid the assessment of potential climate-related risks to which the Fund is exposed, as well as opportunities, and helps identify areas for further monitoring and/or engagement.

NILGOSC also monitors Stewardship Data, publicly disclosing: quarterly voting records; an annual Voting Review; a comprehensive annual Stewardship Report (prepared in compliance with the UK Stewardship Code 2020); and its PRI Assessment Report and link to the PRI Public Transparency Report. All disclosures are made via the NILGOSC's webpage on being a responsible investor.

GHG emissions

Greenhouse Gas (GHG) emissions are classified per the Greenhouse Gas Protocol:

- Scope 1 are ‘direct’ emissions, occurring from sources that are owned or controlled by the company;
- Scope 2 are ‘indirect’ emissions, generated in the production of purchased electricity consumed by the company; and
- Scope 3 emissions are composed of all the other ‘indirect’ emissions that are “a consequence of the activities of the company, but occur from sources not owned or controlled by the company". Scope 3 is divided into ‘upstream’ and ‘downstream’: upstream emissions come from the production of products or services, while downstream emissions come from their use and disposal.

The greenhouse gases included in the GHG emissions are the seven gases mandated by the Kyoto Protocol: Carbon dioxide (CO_2); Methane (CH_4); Nitrous oxide (N_2O); Hydrofluorocarbons (HFCs); Perfluorocarbons (PFCs); Sulphur hexafluoride (SF_6); and Nitrogen trifluoride (NF_3). These gases contribute directly to climate change due to their positive radiative forcing effect.

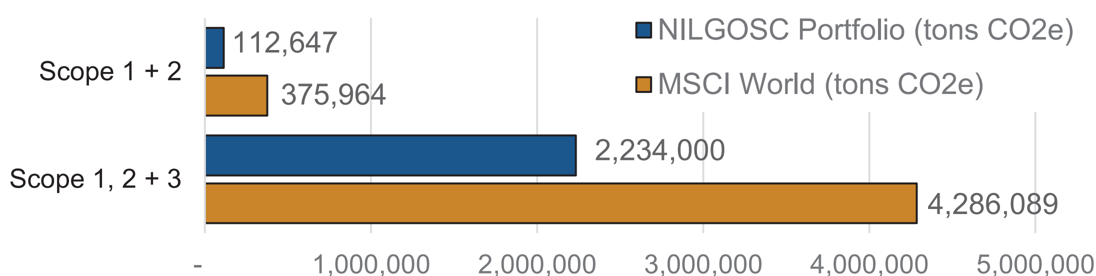
Total GHG emissions are presented as a carbon dioxide equivalent (CO2e), which is a metric measure used to compare the emissions from the various gases on the basis of their global-warming potential, by converting them to the equivalent amount of carbon dioxide with the same global warming potential.

The following disclosures primarily relate only to Scope 1 and Scope 2 GHG emissions, unless expressly highlighted. Where information is unavailable, not reported or does not meet quality standards, the underlying specialist data provider (ISS ESG) can estimate emissions using a proprietary model. It should be noted that definitions of which emissions should be included in Scope 3 are not yet well defined nor consistently calculated, and, as a result, the analysis of Scope 3 emissions is less reliable, or in some cases referred to as “noisy”. NILGOSC has chosen not to place undue focus on that element of the analysis during this reporting cycle.

Total GHG emissions

Total GHG emissions associated with the 'NILGOSC portfolio' (i.e. the portion of the portfolio that could be analysed) as at 31 March 2024 are converted and expressed as Carbon dioxide equivalents in 'tons CO2e'. Emissions are apportioned based on equity ownership.

Figure 6: Total Carbon Emissions across NILGOSC portfolio (tons CO2e)



The full portfolio was compared to the performance of a portfolio replicating the MSCI World benchmark. On a Scope 1 and 2 carbon emissions basis, NILGOSC's portfolio is emitting 70% less carbon than benchmark.

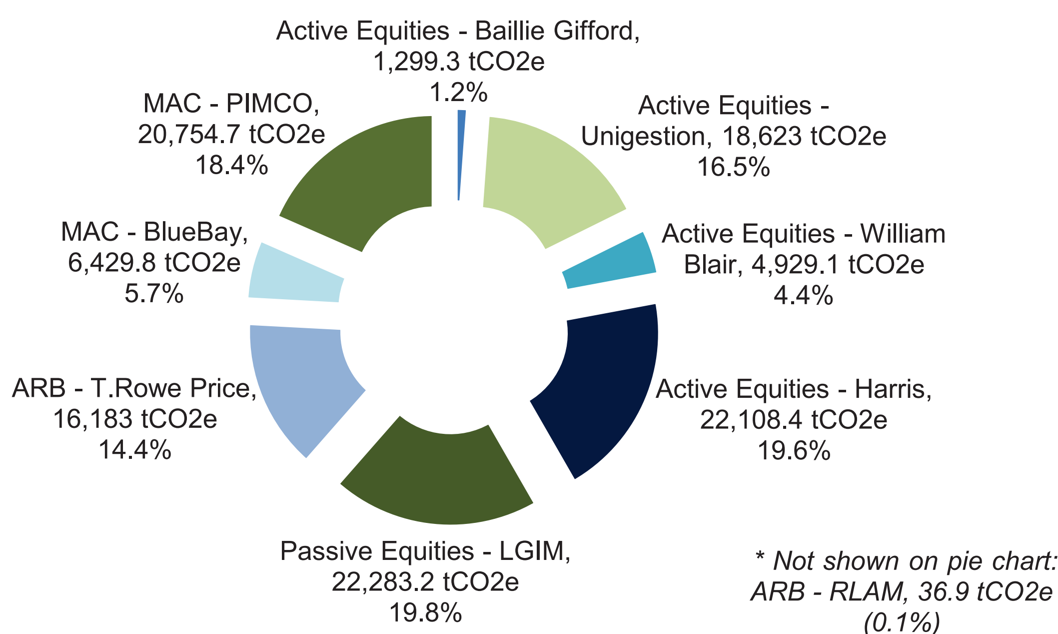
The analysis also demonstrates that collectively Scope 1, 2 and 3 emissions are 47.9% lower than benchmark. However, corporate reporting on Scope 3 emissions remains sparse, incomplete and potentially highly volatile, which poses a challenge for the reviewer to reliably provide an analysis at this time. For example, one manager noted that recent extreme swings in reported Scope 3 downstream emissions, without a clear understanding of the drivers of the discrepancies, led to their Sustainability Committee agreeing to exclude them from the calculation of the controls for their GHG intensity reduction targets and exclusion limits. Instead, the manager will continue to measure, monitor and report Scope 3 Downstream emissions, with the hope that methodologies ultimately converge in coming years and can be reintegrated into sensitivity calculations.

Figure 7 demonstrates how the NILGOSC equity and fixed income mandates collectively make up the total carbon emissions of 112,647 tons CO2e; with the largest of the holdings (LGIM's passive mandate) accounting for 19.8% of that total. The next largest contributor to the overall footprint, with 19.6%, is

the newly appointed equity manager, Harris Associates. As the final phase of implementing the 2021 strategy review, a global equity manager with a value-focus was appointed in February 2024, rebalancing equity holdings between existing equity managers and restoring the desired balance of equity styles. Value funds tend to focus on long-term holds in well-established companies, rather than start-ups or newer technologies, and as a result can demonstrate an initially higher carbon footprint.

Equity manager, Unigestion, also presented a higher contribution to overall carbon footprint than in prior periods (16.5%). The low-volatility equity portfolio was rebalanced in Q4 2023 in light of wider geo-political risks, which saw the manager take a protective stake in five select holdings in the energy industry, pushing emissions up comparatively.

Figure 7: Scope 1 and 2 Carbon Emissions in each mandate (tons CO2e)



Two of the four fixed income mandates (PIMCO: 18.4% and T. Rowe Price:14.4%) were found to be emitting proportionally more GHG than the equity mandates, despite much lower coverage of in-scope assets.

Coverage of fixed income assets, in particular derivatives and sovereign bonds, is poor and neither are included within the scope of the assets that Northern Trust currently analyse. Challenges regarding meaningfulness of fixed income data is well documented generally, for example, data at a

mandate level can be skewed depending on the sectors within which data can be assessed. In the case of T Rowe Price, 24.2% of the mandate's corporate constituents could be analysed (up from 8% in the prior year), but those holdings are primarily in the utilities and industrial sectors, which are high carbon emitters. By comparison, 20.6% of the other ARB mandate (managed by RLAM) could be assessed, of which those holdings are primarily in financial services, which are comparably much lower emitters.

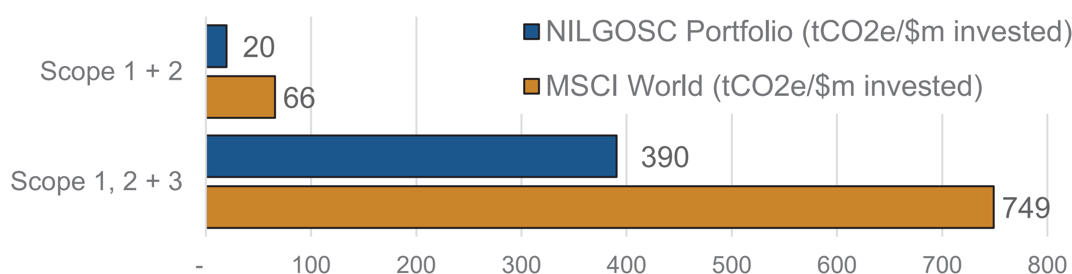
Despite such challenges, NILGOSC is of the view that it is preferable to continue to seek data for non-equity asset classes, with the hope that engagement and disclosure will encourage improvements. NILGOSC will continue to assess the most meaningful way to present such disclosures going forward.

Carbon Footprint

The Carbon footprint reflects the total carbon emissions for which the investor is responsible, apportioned by equity ownership, and therefore normalised by the market value of the portfolio.

At a high level, the NILGOSC portfolio compares favourably to benchmark, reporting 70% lower Scope 1 and 2 emissions. Collectively Scope 1, 2 and 3 emissions are also lower than benchmark (-48%).

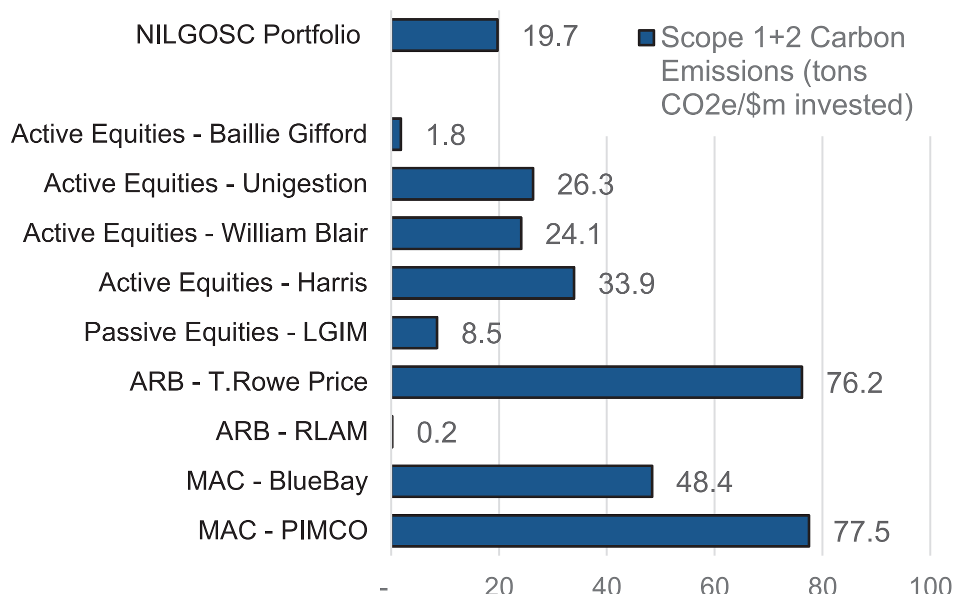
Figure 8: Total Carbon Footprint (tons CO2e/$m invested)



The Carbon Footprint metric is a normalised measure, expressed in 'tons CO2e/$m invested', which should allow for comparisons between multiple portfolios, irrespective of size.

As with total GHG emissions though, the poor coverage of fixed income assets continues to skew the output:

Figure 9: Scope 1 and 2 Carbon Footprint (tons CO2e/$m invested)



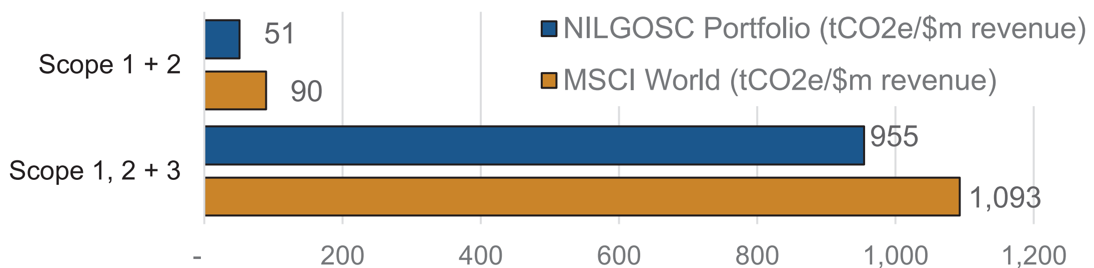
Where coverage is better (>93%) for equities, the analysis demonstrates differences in the underlying holdings of each mandate.

As referenced, Harris Associates value-focus and Unigestion's low-volatility portfolio result in carbon footprints that are higher, yet comparable, to William Blair's emerging markets mandate, which is exposed to industrials and information technology, reporting a footprint of 24.1 tons of CO2e per $1 million invested. Whereas: LGIM's climate-tilted passively-managed mandate reports a footprint of just 8.5 tons of CO2e for each $1 million invested; and Baillie Gifford's Long-term Global Growth mandate, which holds more in relatively low-emitting sectors like healthcare and consumer discretionary, exhibits a footprint of just 1.8 tons of CO2e for each $1 million invested. Despite the variations, all equity mandates compare favourably to the global equity benchmark (66 tons CO2e/$m invested).

Weighted Average Carbon Intensity

Weighted Average Carbon Intensity (WACI) is a popular measure of a portfolio's exposure to carbon-intensive companies, expressed in 'tons CO2e/$m revenue'. WACI is indicative of a portfolio's exposure to potential carbon-related market and regulatory risks since companies with a higher carbon intensity are more likely to face increased exposure to potential climate change-related risks relative to other portfolios. The measure is agnostic to ownership share and facilitates comparison with non-equity asset classes.

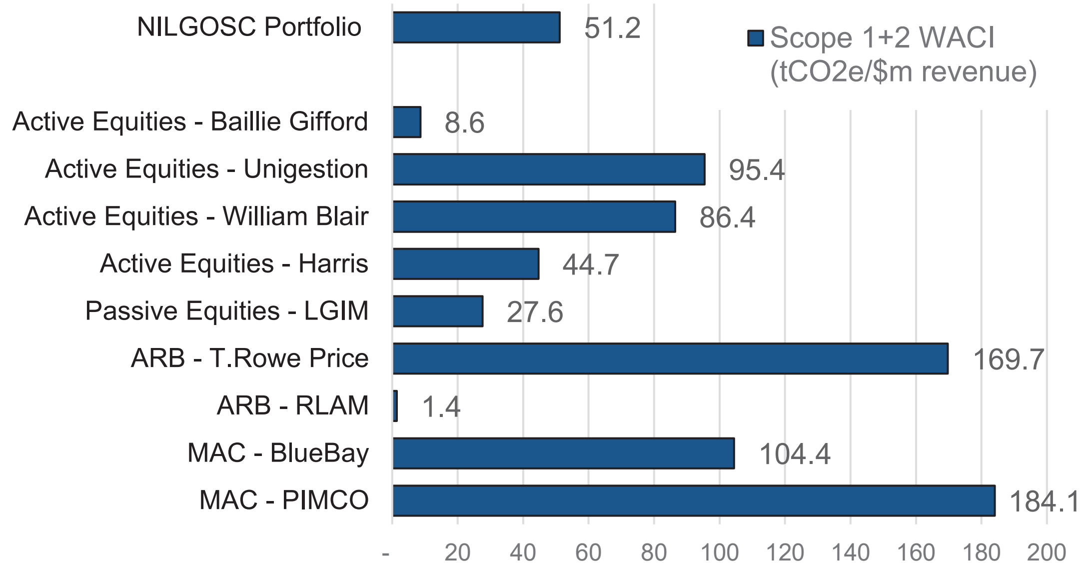
Figure 10: Total WACI (tons CO2e/$m revenue)



The 'NILGOSC Portfolio' Scope 1 and 2 WACI is 42.8% lower than the MSCI World benchmark, meaning that, on average, for every USD of economic output companies produce, the Fund's holdings emit 42.8% fewer GHG emissions that the companies in the benchmark. Scope 3 emissions were also lower than benchmark (-12.7%).

Despite the measure aiding comparability, as noted previously, the overall portfolio data is skewed by inclusion of the fixed income mandates, for which coverage is significantly lower.

Figure 11: Scope 1 and 2 WACI (tons CO2e/$m revenue)



NILGOSC will continue to assess the most meaningful way to present such disclosures going forward, with the belief that continued engagement and disclosure will encourage improvements, and ultimately more accurate emissions data. The key benchmark recommended by Northern Trust is an assessment of the Fund's progress over time.

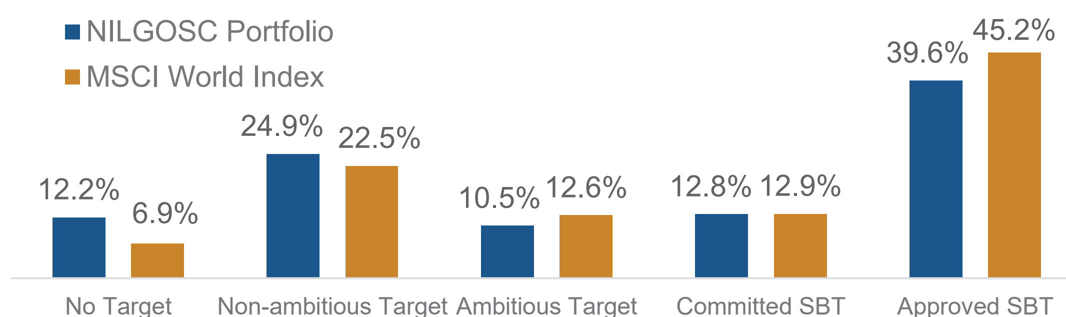
Although comparison with prior year has not been possible in this reporting cycle, by working closely with one provider, it is hoped that NILGOSC will benefit from consistent data outputs allowing comparison of portfolio outputs at each period end, as well as a continued evolution of Northern Trust's ESG analytics service over the length of the contract.

Climate Targets Alignment

Northern Trust undertook a climate targets assessment on the portfolio, which provides an indication of how well companies are aligning with international climate goals. Issuers are differentiated based on the existence and quality of their GHG emissions reduction targets, assigned one of five classifications: no target; non-ambitious target; ambitious target; a commitment to Science-Based Target (SBT); and an approved SBT. An approved SBT confirms the corporate is aligned with the Paris Agreement, which is to keep a global temperature rise this century well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C; and a committed SBT indicates an aligned target, which has not yet been submitted or approved by the SBTi.

Non-Ambitious and Ambitious targets are analysed and categorised as part of the ISS ESG ratings, identifying companies that have set climate targets, albeit not science-based and therefore not confirmed to be Paris-aligned.

Figure 12: Climate Targets Assessment (%)



Almost two fifths of the portfolio's holdings (39.6%) were found to be Paris-aligned (i.e. to have an implied temperature rise of 2.0°C or lower), and a further 12.8% of the portfolio have committed to Paris-aligned targets. Although ideally the proportion would be higher, monitoring forward-looking metrics such as the differential between the portfolio and benchmark, and investigating why portfolio holdings are lagging benchmark will be important; the expectation being that there will be a trend towards greater alignment in the benchmark, as more corporates make net zero commitments and implement transition plans to meet such targets.

As laid out, NILGOSC expects to update its carbon metrics annually and will review the availability of data, with a view to increasing disclosure, on an ongoing basis.

Targets to manage climate-related risks and opportunities

NILGOSC has not yet set climate targets. NILGOSC is a diversified asset owner with investments in many asset classes and geographies, a significant proportion of which cannot yet be reliably analysed. NILGOSC is supportive of the increased coverage of carbon datasets and the continued development of target-setting methodologies. Whilst methodologies mature, and NILGOSC establishes the groundwork for long-term, consistent carbon data provision, the adoption of quantifiable and meaningful climate targets remains under review and will be considered as part of any future strategic reviews.

Progress

<table>
<tr><th>Steps identified in 31 March 2023 report</th><th>Progress</th></tr>
<tr><td>NILGOSC will continue to work with other asset owners and the Fund’s asset managers to help improve the quality and scope of the data available, particularly via the continued use and analysis of the Carbon Emissions Template (CET).</td><td rowspan="2">• Alongside other asset owners, NILGOSC endorsed numerous investor statements, urging increased disclosures.
• NILGOSC issued the CET to its investment managers securing 31 March 2024 data. The outputs of which were used to enhance and drive engagement with managers.</td></tr>
<tr><td>NILGOSC will utilise the outputs of its portfolio analysis to highlight areas for further risk management, engagement and monitoring.</td></tr>
<tr><td>NILGOSC will partake in consultations/working groups regarding carbon reporting, if applicable to NILGOSC.</td><td>• In June 2023, NILGOSC responded to DAERA’s formal consultation on developing regulations for climate change reporting by public bodies in NI.</td></tr>
<tr><td>NILGOSC will continue to seek out climate change opportunities, in compliance with its overriding obligation to act in the best interests of the scheme beneficiaries.</td><td>• No new commitments were made in the year to 31 March 2024, but NILGOSC will continue to seek out opportunities.</td></tr>
<tr><td>NILGOSC will seek to carry out scenario analysis on at least a triennial basis, or as required by regulation when enforced.</td><td>• Completed – ongoing annual disclosure of scenario alignment analysis.</td></tr>
<tr><td>NILGOSC will continue to support increased coverage of carbon datasets and the continued development of target-setting methodologies, keeping the development of appropriate climate targets under review.</td><td>• Ongoing engagement with asset managers and other asset owners, as well as reviewing publicly released targets.</td></tr>
</table>

Next Steps

- NILGOSC will continue to work with other asset owners and the Fund's asset managers to help improve the quality and scope of the data available.
- NILGOSC will partake in consultations/working groups regarding carbon reporting, if applicable to NILGOSC.
- NILGOSC will continue to seek out climate change opportunities, in compliance with its overriding obligation to act in the best interests of the Fund beneficiaries.
- NILGOSC will work with its Investment Advisor to strengthen the integration of climate risks and opportunities when undertaking the triennial strategic review, and when setting of the Fund's investment strategy.
- NILGOSC will utilise the outputs of its portfolio analysis to highlight areas for further risk management, engagement and monitoring.
- NILGOSC will continue to carry out scenario analysis on at least a triennial basis, or as required by legislation, when introduced.
- NILGOSC will continue to support increased coverage of carbon datasets and the continued development of target-setting methodologies, keeping the development of appropriate climate targets under review.

Appendix 1: TCFD Disclosures

Governance

- Describe the board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities

Strategy

- Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term
- Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning
- Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Risk Management

- Describe the organisation's processes for identifying and assessing climate-related risks
- Describe the organisation's processes for managing climate-related risks
- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Metrics and Targets

- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Important Information

The content of this report was produced by Northern Ireland Local Government Officers' Superannuation Committee ('NILGOSC'). This content is provided for information purposes only and is NILGOSC's current view, which may be subject to change.

This report is based upon information available to NILGOSC at the date of this report and takes no account of subsequent developments. In preparing this report, NILGOSC may have relied upon data supplied to us by third parties, and therefore no warranty or guarantee of accuracy or completeness is provided. NILGOSC cannot be held accountable for any error, omission or misrepresentation of any data provided by third parties.

The following notices relate to the 'Climate Value at Risk' metric which was developed using information from MSCI ESG Research LLC or its affiliates or information providers; and the 'Resilience' and 'Metrics and Targets' sections, which were developed using information from the Northern Trust Company or its information provider, ISS ESG. Although the Northern Ireland Local Government Officers' Superannuation Committee's information providers, including without limitation: MSCI ESG Research LLC and its affiliates; and the Northern Trust Company and its data provider ISS ESG (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the information can in and of itself be used to determine which securities to buy or sell and when to buy or sell them.

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