



## **Climate-related Disclosures Report**

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

**31 March 2025**





## NILGOSC Climate-related Disclosures Report 31 March 2025

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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 remains voluntary for NILGOSC; however, supporters were 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 annual TCFD reports. In

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, and legislation is expected to follow 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 which will allow for 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 fifth year of voluntary reporting to further develop its reporting, while continuing to highlight 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 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 (a review of which is currently underway). 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 (RI) 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 Being a responsible investor website section](#).

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 RI, 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). As at the date of reporting, 31 March 2025, Aon Solutions UK Ltd concluded their term as NILGOSC's Investment Advisor. Following a tender exercise which was conducted in 2024, Isio Group Ltd (Isio) were appointed as the Fund's Investment Advisor and have been in place since 1 April 2025.

## Management's role

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

NILGOSC's assets are externally managed. The Investment team are responsible for monitoring the ESG performance of external managers, specifically each 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. In January 2025, NILGOSC commenced using 'pass-through voting' for the meetings of companies held in both: its passively managed fund investments; and in its actively managed equity portfolios. When a meeting occurs for such a company, NILGOSC will: exercise its voting rights in the actively managed equity portfolio as normal; and can also direct how a proportional share of the votes for the passively managed holding are placed, through an arrangement with its passive investment manager, Legal & General Investment Management (LGIM). Full disclosure of [NILGOSC's voting policies and records is available on its website](#).

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+; and 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 periodically, taking into account the nature and timing of the Fund's liabilities identified through the triennial actuarial valuation. Following the appointment of Isio as NILGOSC's new Investment Advisor, NILGOSC's latest investment strategy review commenced in 2025.

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 for necessary changes remain 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 include wider economic and social disruption, such as 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 newly appointed 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 or carbon-transition 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 (RI); 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.

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 RI 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 2025, at least 27.9% of NILGOSC's infrastructure holdings were invested in renewables and energy transition assets (including solar, wind, district heating and battery storage assets). 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 backward-looking. In the exercises conducted since, forward-looking analyses 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 investment strategy. So too, it was recommended by the TCFD that climate scenario analysis is undertaken at least **triennially**.

Northern Trust (and their external specialist data provider ISS ESG) present 'scenario alignment analysis' which compares the greenhouse gas (GHG) emissions of the 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 last updated in 2023.

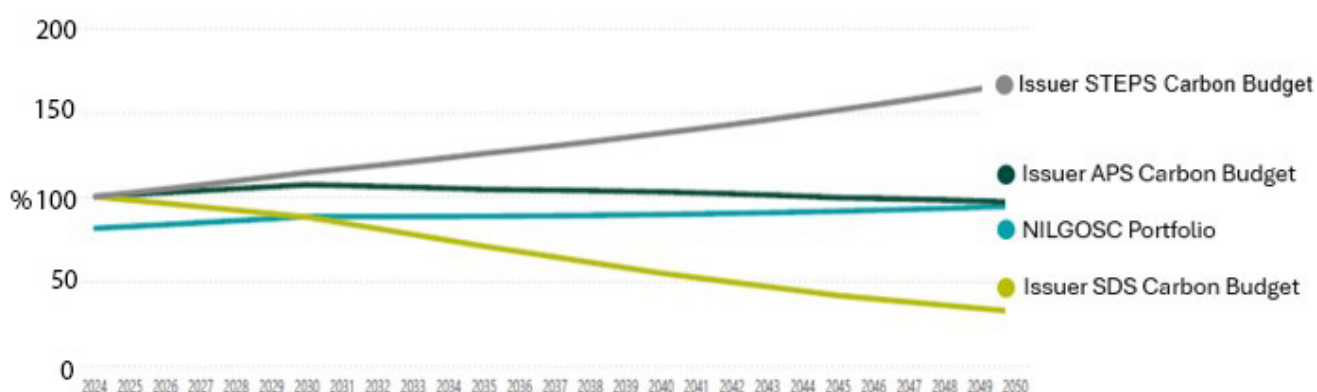
- **Sustainable Development Scenario (SDS)**: wherein key energy-related UN Sustainable Development Goals are achieved, **reaching global net zero** emissions by 2070. The SDS is the most ambitious scenario trajectory.
- **Announced Pledges Scenario (APS)**: illustrates the extent to which **announced ambitions** and **targets** by governments and industries (as at 31 August 2024) can deliver the required emission reductions to achieve net zero by 2050. Climate commitments include 2030 targets as well as longer-term net zero or carbon neutrality pledges, assuming all will be met **in full** and **on time**.
- **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 2024, as well as those under development at the time. The scenario also accounts for currently planned manufacturing capacities for clean energy technologies. It provides a more conservative benchmark (than APS) for the future, by not taking for granted that governments will reach all announced goals.

As demonstrated in Figure 2 (overleaf), the analysis demonstrates the pathway to 2050 for each of the scenarios (based on the sectoral composition of the NILGOSC portfolio) as compared to NILGOSC's portfolio trajectory.

The y-axis represents the ‘carbon budget’, which is the limit of the total amount of GHG emissions that can be released or combusted worldwide to restrict global warming to certain levels. The percentage alignment for each scenario is normalised to 100% as at the date under review, and each scenario is therefore tied to a carbon budget indicating the cap on the cumulative amount of GHG emissions permitted in order to remain below a certain temperature.

The slope of the **NILGOSC portfolio** line is influenced by portfolio composition and ownership in each underlying **company** as at the date under review. The analysis combines the IEA scenarios with the Sectoral Decarbonisation Approach (SDA) as developed by the Science-based Targets Initiative (SBTi<sup>1</sup>), allocating a carbon budget to each company in the portfolio and the expected emissions trajectory associated with its sector. Emission reduction targets are also taken into consideration, and 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).

**Figure 2: NILGOSC’s Portfolio Emissions Pathways vs. Climate Scenarios budgets as at 30 September 2024**



<sup>1</sup> 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 & 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 analysis is undertaken twice yearly (as at 31 March and 30 September). In the period between 30 September 2024 and 31 March 2025, the Fund's actively managed emerging market (EM) equities mandate was terminated. The Fund's allocation to EM equities (c.£210m at the date of termination) was temporarily invested with NILGOSC's existing passive manager, LGIM, as an interim measure until a suitable active manager is appointed.

However, the temporary move from active management (which can take into consideration the sectors, investment specifics and ESG credentials of potential underlying holdings) to tracking an EM index covering all sectors and all markets (many of which are concentrated in carbon intensive countries and sectors which have not yet set emissions reduction targets) means the snapshot at 31 March 2025 is not representative of the NILGOSC portfolio's trajectory.

Although scenario analysis need only be updated every three years, in the interests of transparency, NILGOSC's scenario analysis as at 30 September 2024 (before the temporary transfer was made) has been disclosed. Doing so provides readers with the most useful, up-to-date analysis of the NILGOSC part-portfolio. Disregarding a temporary allocation to cash also held at year end, in total, Northern Trust were able to assess 46.2% of the Fund's total assets at 30 September 2024 (this part-portfolio is referred to as the 'NILGOSC portfolio' throughout).

The analysis demonstrates that the trajectory of the part-portfolio is Paris-aligned until approximately 2030, at which point, if no changes were made to the 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 explained, 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 the slope 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 Northern Trust can currently assess) have carried out their



own scenario analyses 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. The next triennial valuation of the Fund as at 31 March 2025 is underway with a publication date of March 2026.

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.





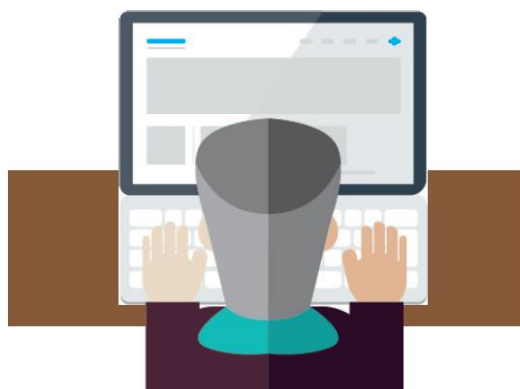
## Risk Management

### 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 Climate Risk 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 2025, include:

Date	NILGOSC's activity
June 2024	NILGOSC and six other UK pension funds wrote to the chair of the Financial Conduct Authority (FCA) ahead of an FCA Board meeting to decide whether to approve proposed changes to the UK listings rules. The letter was intended to remind the FCA of the strength of investor sentiment and highlight concerns over weakening corporate governance standards.
June 2024	The PRI Spring initiative, which NILGOSC endorsed, was launched with the objective of investors contributing to the goal of halting and reversing biodiversity loss by 2030.

Date	NILGOSC's activity (continued)
June 2024	Alongside 275 other financial institutions with over \$21 trillion USD in assets, NILGOSC became a signatory to the CDP's <a href="#">2024 Non-Disclosure campaign</a> . Co-signers engaged with 1,988 of the world's highest-impact companies to demand that they commence disclosing data and report on their environmental impact via CDP questionnaire.
August 2024	Continued to meet the FRC's expected standard of reporting and remained a <b>signatory to the UK Stewardship Code 2020</b> for the reporting to 30 June 2023.
September 2024	Signatory to the <a href="#">2024 Global Investor Statement to Governments on the Climate Crisis</a> , calling on global governments and policy-makers to urgently raise their climate ambition in line with the goal of limiting global temperature rise to 1.5°C.
January 2025	Received and released its <b>PRI assessment report</b> for the year ended 31 March 2024, demonstrating positive results.
February 2025	Began trialling <b>Pass-through Voting</b> on equities held in both: the passively managed portfolio; and in the actively managed mandates. The service extends NILGOSC's stewardship of its assets and increases alignment of voting decisions across the holdings.
February 2025	Responded the Financial Reporting Council's (FRC) formal <b>consultation</b> on proposed changes to the <b>UK Stewardship Code</b> .
February 2025	Co-signed and supported the launch of the <b>Asset Owner Statement on Climate Stewardship</b> , developed by a coalition of asset owners (totalling over \$1.5 trillion USD in AUM) led by the People's Pension, Brunel Pension Partnership and Scottish Widows. The statement was drafted in response to complaints from asset managers of inconsistent demands from asset owners. It sets out key and consistent climate stewardship expectations, intended to: promote constructive dialogue; generate greater alignment between asset owners and managers; and ultimately raise the bar on climate stewardship across the investment sector.
March 2025	Renewed its commitment to the CDP's 2025 <b>Climate Change, Forests and Water</b> programmes. NILGOSC supports the CDP's work to improve the management of environmental risk by encouraging listed companies to measure and disclose environmental information, which it does by issuing annual questionnaires on behalf of its investor signatories, requesting standardised climate change, water and forest information.

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 management recommendations, and initiating engagement with the recipient.

The Fund's passively held equity is managed by LGIM, who cast votes in respect of most 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 majority of the passive equities track a climate-tilted index, within which each holding is assigned a climate score. In January 2025, NILGOSC commenced utilising LGIM's pass-through voting solution to direct how a proportional share of the votes, for any passively-managed holding also held in its actively-managed equity portfolios, is placed.

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 fifth 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 the 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.

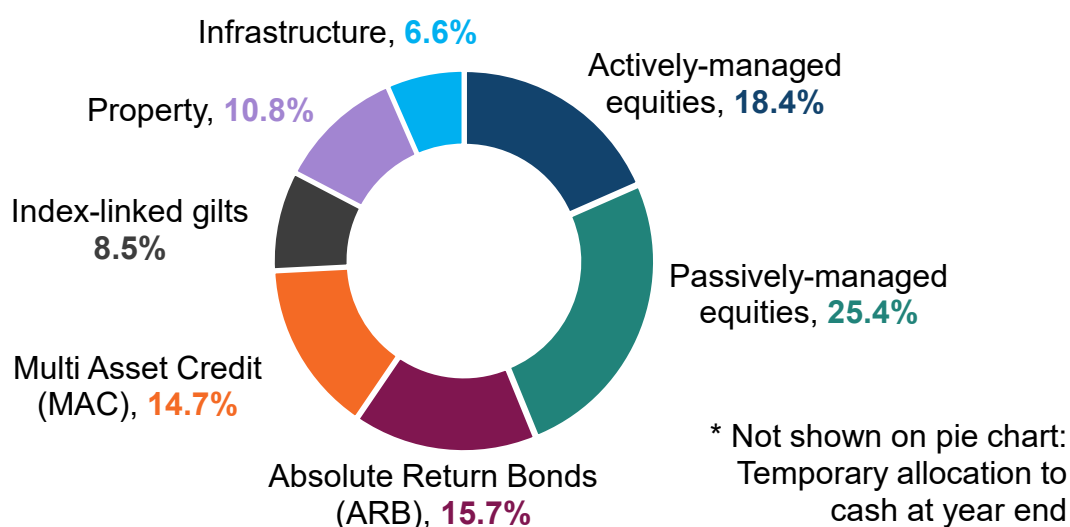


## Metrics and Targets

### Overview

The value of the Fund as at 31 March 2025 was £10.9 billion (2023/24: £10.5 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 3: Assets as a percentage of total Fund\* at 31 March 2025**



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. Work is underway to introduce additional asset coverage, and it is hoped that by working closely with one provider, NILGOSC will benefit from a continued evolution of Northern Trust's ESG analytics 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 48.6% (PY: 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 96.0% (PY: 93.4%) across the four equity mandates, but coverage of fixed income assets is much lower at 21.4% (PY: 22.7%) across the four mandates, as indicated in Figure 4, 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 4: Carbon Emissions Data Availability<sup>2</sup> (% Market Value)**

<b>Actively managed equities - Baillie Gifford</b>	88.2%
<b>Actively managed equities - Unigestion</b>	99.5%
<b>Actively-managed equities – Harris</b>	95.5%
<b>Passively managed equities - LGIM</b>	97.2%
<b>Absolute Return Bonds (ARB) – T. Rowe Price</b>	10.9%
<b>Absolute Return Bonds (ARB) – RLAM</b>	25.5%
<b>Multi Asset Credit (MAC) – BlueBay</b>	15.1%
<b>Multi Asset Credit (MAC) – PIMCO</b>	35.0%

Within the ‘Metrics’ disclosures, the total portfolio is benchmarked against the MSCI World Index (MSCI World) which is a global market index designed to represent performance of the full opportunity set of large and mid-cap stocks across 23 developed markets. It covers 1,322 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.

Comparison with prior year reporting is not yet possible. In response to evolving client requirements, regulatory change and data availability, Northern Trust updated the methodology for calculating position ownership in 2024, using issuers’ adjusted enterprise value rather than market capitalisation to calculate and allocate ownership of GHG emissions. Similarly, in all prior reporting periods, Northern Trust utilised the US dollar (USD) as a denominator for carbon intensity metrics. In compliance with the 2021 regulations for occupational pension schemes in Great Britain, pounds sterling (GBP) has been introduced as the unit of currency in this year’s reporting.

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<sup>2</sup> 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

In addition to securing Northern Trust's analysis, NILGOSC also requested that all of its investment managers complete a Carbon Emissions Template (CET) providing data as at 31 March 2025 (if possible). The CET was developed by a joint Pensions and Lifetime Savings Association (PLSA), Investment Association (IA) and Association of British Insurers (ABI) working group and launched in 2022.

NILGOSC is keen to work with managers to understand both the availability and limitations of the data sets, as well as updates to methodologies, with the expectation that data outputs will strengthen and converge over time. Therefore, metrics are compared to Northern Trust's where possible, but focus is placed on comparing the managers' own year-on-year submissions; the results of which are used as a tool for engagement with each party.

For the active **equity managers**, the data reported via the CET and that reported by Northern Trust was largely aligned, demonstrating similar trends, despite utilising alternative sources of data. In the case of **fixed income mandates**, managers themselves can often provide higher coverage than the custodian's data provider (which is currently limited to listed equity and corporate bonds), as fixed income managers can provide reported data from any underlying sovereign bonds or private investments, and may also have alternative methodologies for estimating emissions. The CET submissions are particularly useful when reviewing the **property mandates**, as property and real assets are not included in the custodian's current reporting.

In the case of property managers, it is worth noting that there is a time lag between the availability of data and disclosure of that data - particularly for indirect real estate managers, who are one-step removed from the underlying real estate. For example, CBRE rely on GRESB (Global Real Estate Sustainability Benchmark) data as the industry standard for evaluating real estate performance. All GRESB data in any given year refers to the prior calendar year. The GRESB cycle opens in April each year and closes in July, with the results of the sustainability performance of prior calendar year released for all participating investment entities in October. Therefore, the CET template (to 31 March 2025), requested for completion in July 2025, is



based on the 2024 GRESB cycle, meaning the (latest available) underlying data for real estate is up to 31 December 2023.

Some key takeaways from the fourth year of CET reporting are as follows:

- **LaSalle** noted changes in both the electricity emissions factor used in their calculation of energy consumption, as well as adjustments made to account for whether the energy used to power heating sources is electricity or gas, meaning that estimates better reflect actual consumption in this year's reporting. As with all managers, NILGOSC is supportive of the continued evolution of data collation and provision.
- Furthermore, the acquisition of new properties in **LaSalle**'s Index-linked portfolio, which are modern builds with relatively low carbon intensities, have reduced the portfolio's overall average emissions metrics.
- Similarly, **M&G** demonstrated a significant decrease in carbon footprint, which is largely the result of continued asset disposals from the seed portfolio.
- A number of the managers reported an increase in underlying public holdings with validated science-based targets (SBT) and in its first year of reporting, **Harris** noted 50% of investments have validated SBT.

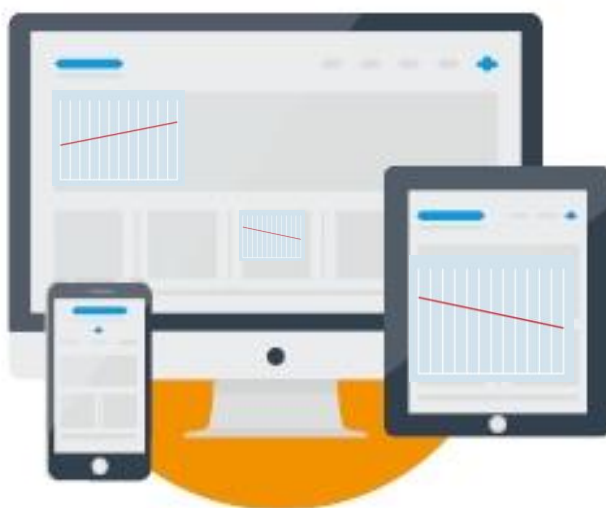
There remain issues to iron out over time as regards appropriate measures for certain asset types. For example, there is ongoing debate across the property industry as to whether and how Weighted Average Carbon Intensity (WACI) can be used as a comparator for real estate. WACI is a normalised metric that should make it easier to compare carbon characteristics across different holdings and sectors. However, the British Property Federation and Association of Real Estate Funds have highlighted potential variations in the WACI metric depending on the weighting measure used, proposing that carbon intensity should be normalised by floor area, rather than by property value or rental value.

NILGOSC continues to expect that, as methodologies for carbon emission data collation continue to evolve, strengthen and converge, and as managers continue to familiarise themselves with the data requirements of the CET, reliable comparison

across managers will become possible in time. It is also hoped that the data gathered can be integrated into the metrics disclosures that follow.

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

As disclosed, prior to year end (31 March 2025) £210 million was temporarily invested in an EM index tracker fund with NILGOSC's existing passive manager, LGIM, while the tender exercise to appoint an active EM manager is underway. Therefore, in order to provide greater insight as to the variation in carbon metrics across the LGIM mandates at year end, an extract of LGIM's CET submission has also been used to supplement Northern Trust's analysis.



## Metrics to assess climate-related risks and opportunities

Drawing upon the guidance laid out in the TCFD recommendations, the following metric calculations are disclosed:

Absolute emissions metric	Emissions intensity metrics	Portfolio alignment metric
Total GHG emissions ( $tCO_2e$ )	Carbon Footprint ( $tCO_2e/£m$ invested) Weighted Average Carbon Intensity ( $tCO_2e/£m$ revenue)	Data quality (%)

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. For example, Northern Trust recently introduced a metric disclosing the 'Data Quality' of disclosed emissions. NILGOSC recognises that target setting must begin with the reliable measurement of and reporting of emissions, and therefore, for the first time, chose to review and disclose data quality as its 'portfolio alignment metric'.

Furthermore, Northern Trust recently commenced presented emissions metrics utilising GBP as a denominator. In prior periods the metrics were presented as a function of USD, but the change to GBP is aligned to the requirements of the regulations applicable to occupational pension schemes in Great Britain to produce and publish TCFD-aligned reporting. Therefore, the move should aid NILGOSC in preparing for compliance with the expected, equivalent legislation for LGPS.

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 the Fund is invested, 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 help identify areas for further monitoring and engagement.

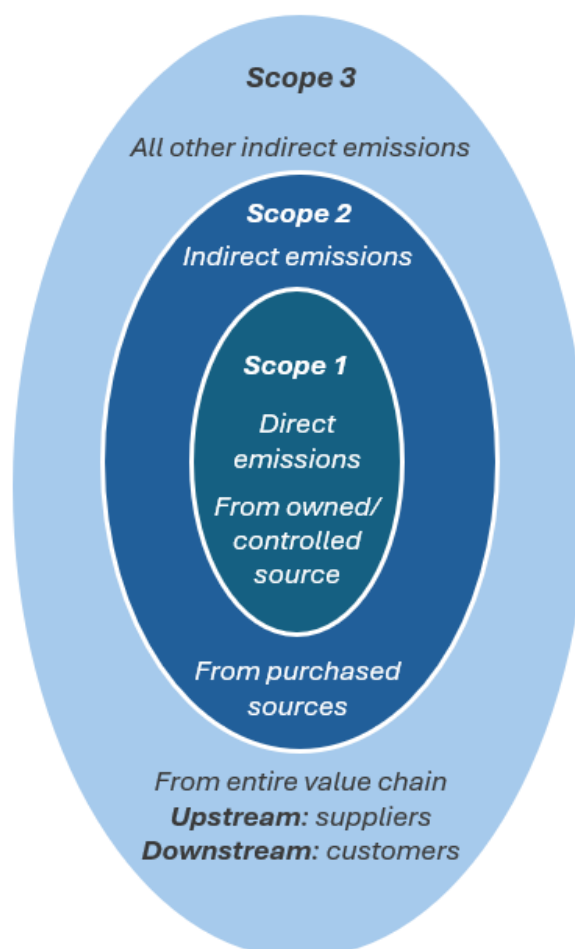
NILGOSC also monitors Stewardship Data, publicly disclosing: quarterly voting records; an annual Voting Review; a comprehensive annual Stewardship Report (prepared in compliance with the UK Stewardship Code); and its PRI Assessment Report and link to the PRI Public Transparency Report. All disclosures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

## 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/entity;
- **Scope 2** are 'indirect' emissions, generated in the production of purchased electricity consumed by the company/entity; 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.

**Figure 5: Scope 1, 2 & 3 emissions**



The greenhouse gases included in the GHG emissions are the seven gases mandated by the Kyoto Protocol: Carbon dioxide (CO<sub>2</sub>); Methane (CH<sub>4</sub>); Nitrous oxide (N<sub>2</sub>O); Hydrofluorocarbons (HFCs); Perfluorocarbons (PFCs); Sulphur hexafluoride (SF<sub>6</sub>); and Nitrogen trifluoride (NF<sub>3</sub>). These gases contribute directly to climate change due to their positive radiative forcing effect.

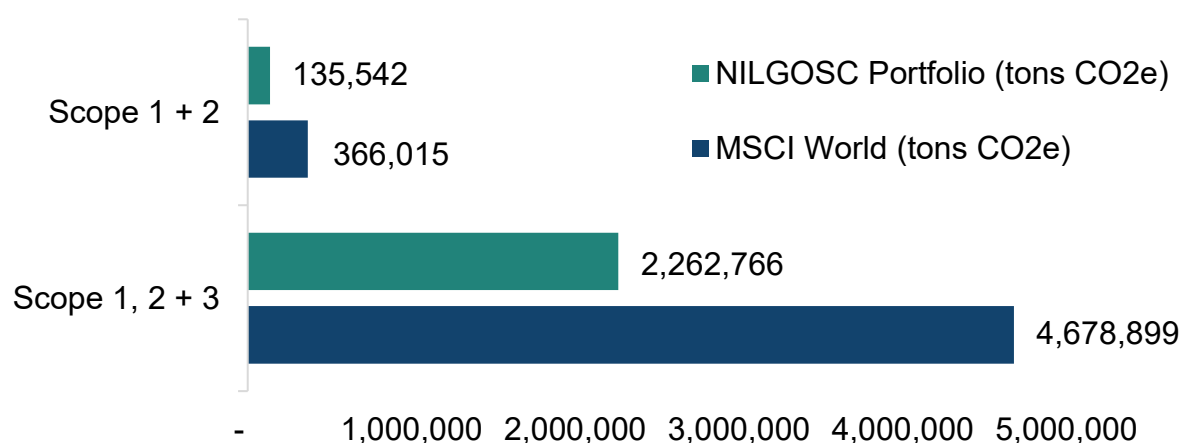
Total GHG emissions are presented as a carbon dioxide equivalent (CO<sub>2</sub>e), which is a metric measure used to compare the emissions from the various gases on the basis of their global-warming potential, by converting them to the equivalent amount of carbon dioxide with the same global warming potential.

The following metric disclosures primarily relate 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, as is more often the case for Scope 3 emissions. It should be noted that the methodologies for calculating Scope 3 emissions are continuing to evolve, driven by increasing regulatory pressures and the development of new standards and frameworks; but they are not yet as reliable as Scope 1&2. In the interests of transparency, Scope 3 data is disclosed throughout, however NILGOSC has continued not to place undue focus on Scope 3 emissions 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 2025 are converted and expressed as Carbon dioxide equivalents in 'tons CO<sub>2</sub>e'. Emissions are apportioned based on equity ownership.

**Figure 6: Total Carbon Emissions across NILGOSC portfolio (tons CO<sub>2</sub>e)**



The full portfolio was compared to the performance of a portfolio replicating the MSCI World benchmark. On a Scope 1&2 carbon emissions basis, NILGOSC's portfolio is emitting 63.0% less carbon than the benchmark.

The analysis also demonstrates that collectively Scope 1, 2 & 3 emissions are 51.6% lower than benchmark. Coverage is improving and increasing, however, corporate reporting on Scope 3 emissions remains incomplete and potentially highly volatile, which poses a challenge for reliable analysis or comparison.

**Figure 7: Scope 1&2 Carbon Emissions by manager\* (tons CO<sub>2</sub>e)**

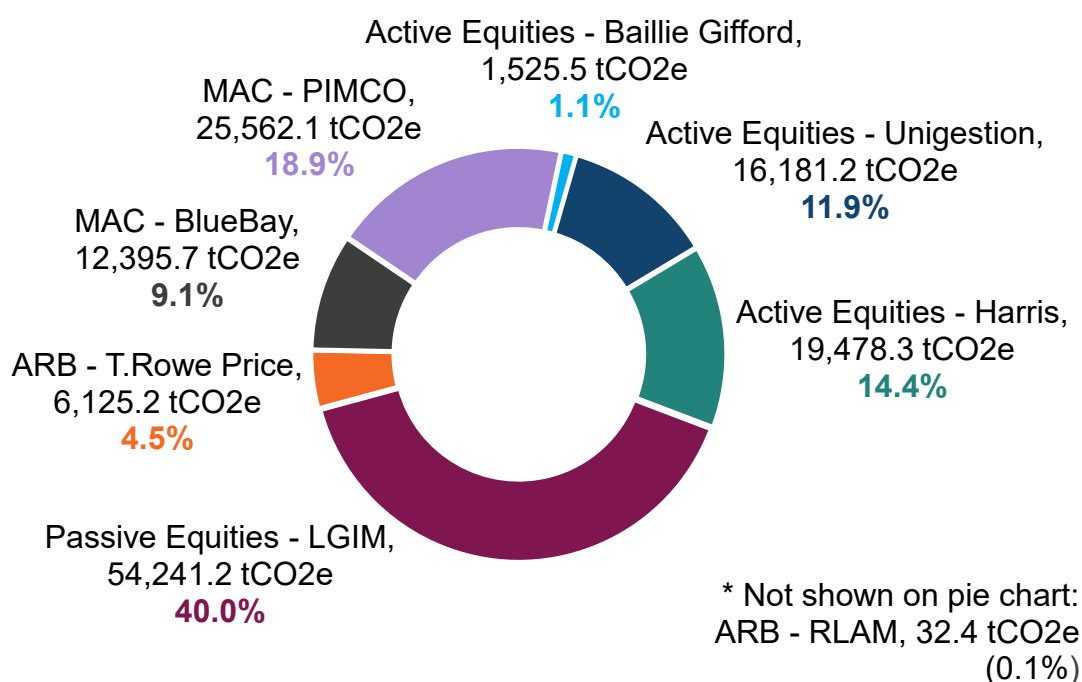


Figure 7 shows how the NILGOSC equity and fixed income mandates each contribute to the total reported Scope 1&2 carbon emissions of 135,542 tCO<sub>2</sub>e; with the largest of the contributors (LGIM) accounting for 40.0% of that total.

The Northern Trust analysis does not distinguish between the underlying LGIM equity funds: the LGIM Low Carbon Transition (**LCT**) funds; and the LGIM Emerging Market (**EM**) fund; instead presenting LGIM-managed equities as a whole. In the prior year, when NILGOSC was invested in only the LCT funds, the manager accounted for 19.8% of the portfolio's GHG emissions. Therefore, the temporary investment in LGIM's EM index tracker has had a marked impact on the snapshot of LGIM-owned emissions as at 31 March 2025.

**Figure 8: Proportion of passive equities Scope 1&2 emissions**

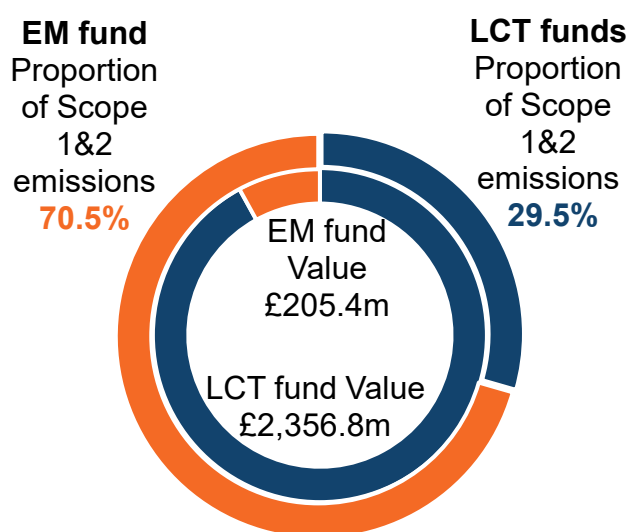


Figure 8 demonstrates how the £2.6 billion of passively held equities at year end is split: 92% are held in the LCT funds; with 8% held temporarily in the EM fund. Despite the size disparity, the EM fund accounts for 70.5% of LGIM's self-reported Scope 1&2 carbon emissions, demonstrating the influence the presence of the EM equities has on LGIM's overall reporting.

As a result, temporarily holding and including the passively-held EM equities within the metrics at 31 March 2025 is serving to:

- inflate what has typically been a low emitting asset class for NILGOSC (following the 2022 transfer of NILGOSC's passively-held equities to track a self-decarbonising index via the Low Carbon Transition funds); and
- the disclosed emissions for the passively-held EM equities (tracking an EM index covering all sectors and all markets - many of which are concentrated in carbon intensive countries and sectors) exceed those of the actively-managed EM equities held prior to the temporary transfer. Under active management, portfolio managers can consider sectors, investment specifics and ESG credentials of underlying holdings, and therefore emissions output would usually be lower.

Both points should be considered when reviewing the snapshot of NILGOSC's part-portfolio as at 31 March 2025, and how it compares to the benchmark.

Figure 7 also shows the next largest contributor to the overall emissions output is one of the fixed income mandates. Despite a much lower coverage of in-scope assets (35.0%), PIMCO accounts for 18.9% of the total emissions. 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. Furthermore, challenges regarding meaningfulness of fixed income data is well documented, 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, only 10.9% of the mandate could be analysed but those corporate constituents are primarily in the utilities and industrial sectors which are high carbon emitters. By comparison, 25.5% of the other ARB mandate (managed by RLAM) could be assessed, of which those holdings are primarily in the comparably lower emitting financial services, explaining why RLAM is quite often an outlier in the mandate-level analysis.

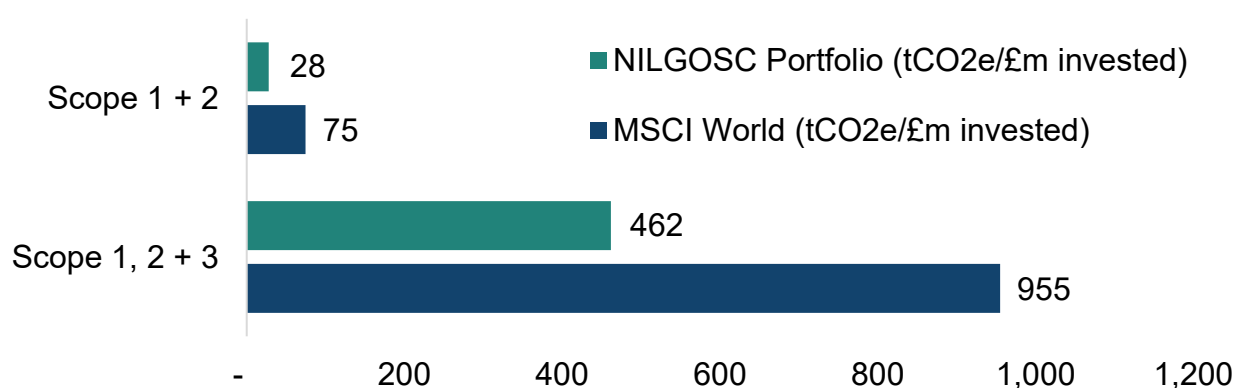
Despite such challenges, NILGOSC is of the view that it is preferable to continue to seek data for non-equity asset classes, with the hope that engagement and disclosure will encourage improvements. NILGOSC will continue to assess the most meaningful way to present such data going forward.

## Carbon Footprint

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

At a high level, the NILGOSC portfolio compares favourably to benchmark, reporting 62.9% lower Scope 1&2 emissions. Collectively Scope 1, 2 & 3 emissions are 51.6% lower than benchmark.

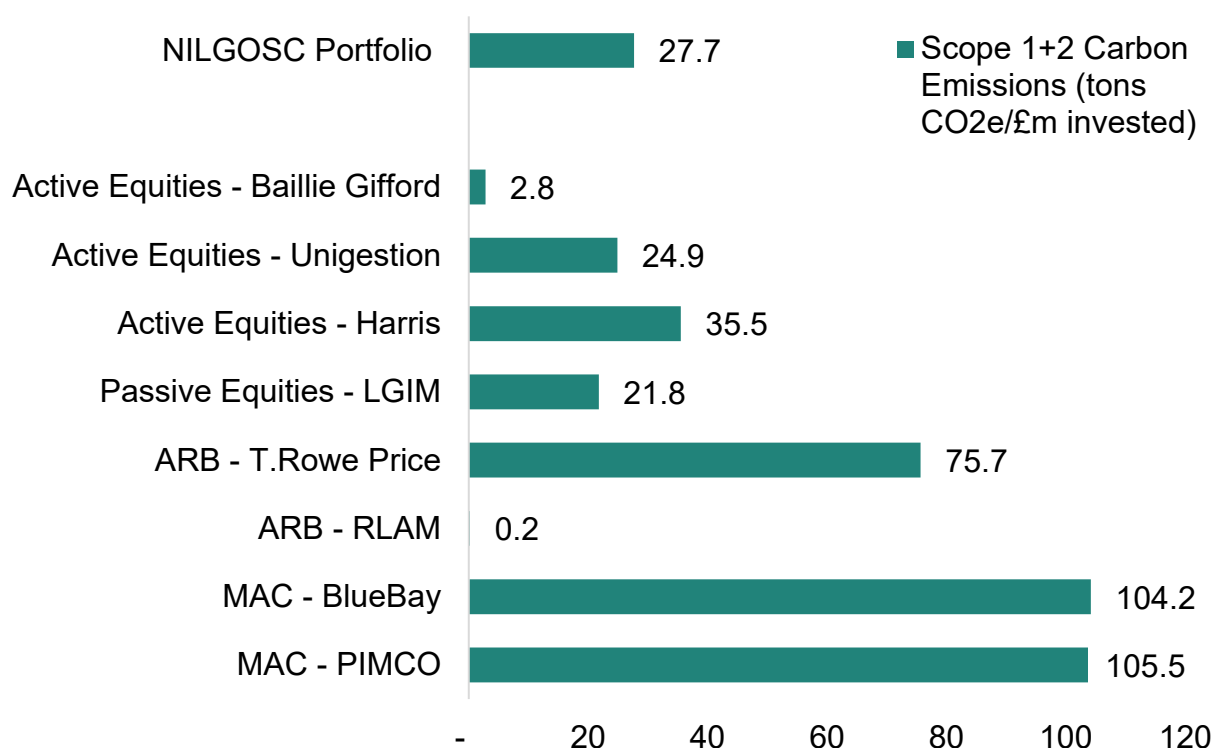
**Figure 9: Total Carbon Footprint (tons CO<sub>2</sub>e/£m invested)**





The Carbon Footprint metric is a normalised measure, expressed in ‘tons CO<sub>2</sub>e/£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 of the ARB and MAC mandates.

**Figure 10: Scope 1&2 Carbon Footprint (tons CO<sub>2</sub>e/£m invested)**



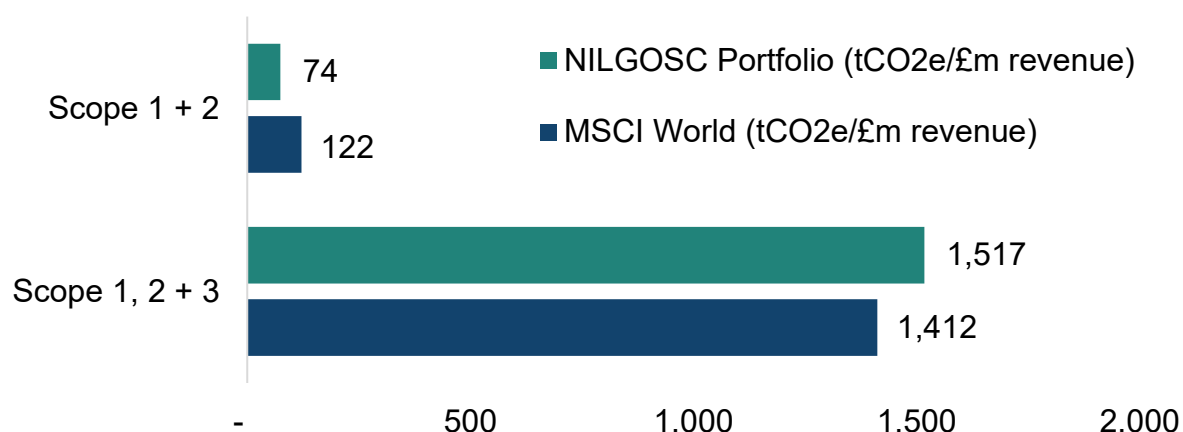
Where coverage is better (>88%) for equities, the analysis demonstrates differences in the underlying holdings of each equity mandate: as referenced, LGIM's footprint is higher than usual due to the carbon-intense, albeit relatively small, temporary allocation to passive EM. However, Harris Associates reports the highest of the equity mandate footprints at 35.5 tons of CO<sub>2</sub>e for each £1 million invested. As part of the final phase of implementing the 2021 strategy review, Harris Associates, a global equity manager with a 'value'-focus was appointed in February 2024. Value funds tend to focus on long-term holds in well-established companies, rather than start-ups or newer technologies, and as a result may present a high carbon footprint. Low-volatility equity manager, Unigestion, also demonstrated a relatively high contribution to the overall carbon footprint (24.9 tons CO<sub>2</sub>e/£m invested), particularly in comparison to Baillie Gifford's Long-term Global Growth mandate, which holds more in relatively low-

emitting sectors like healthcare and consumer discretionary, and exhibits a footprint of just 2.8 tons of CO<sub>2</sub>e for each £1 million invested. However, despite the variations, all equity mandates compare favourably to the global equity benchmark (75 tons CO<sub>2</sub>e/£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 CO<sub>2</sub>e/£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 should facilitate comparison with non-equity asset classes.

**Figure 11: Total WACI (tons CO<sub>2</sub>e/£m revenue)**

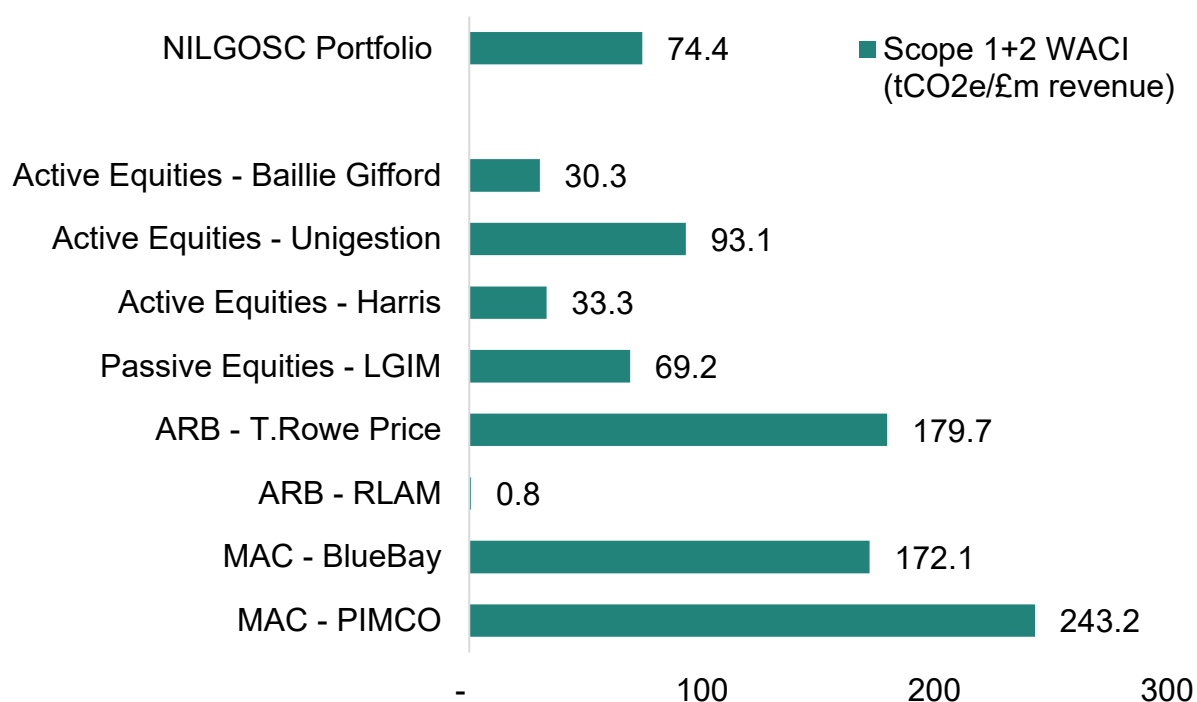


The 'NILGOSC Portfolio' Scope 1&2 WACI is 38.9% lower than the MSCI World benchmark, meaning that, on average, for every GBP of economic output companies produce, the Fund's holdings emit 38.9% fewer GHG emissions than the companies in the benchmark. However, when Scope 3 emissions are taken into consideration, the NILGOSC part-portfolio is emitting 7.4% higher emissions than benchmark.

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. Furthermore, although the methodologies for calculating Scope 3 emissions are evolving, driven by increasing regulatory

pressures and the development of new standards and frameworks, they continue to be less reliable than Scope 1&2 and potentially highly volatile. One manager noted that Scope 3 downstream emissions have continued to be revised upwards for most sectors over the period. Therefore, NILGOSC will continue not to place undue focus on Scope 3 emissions during this reporting cycle.

**Figure 12: Scope 1&2 WACI (tons CO<sub>2</sub>e/£m revenue)**



Like the Carbon Footprint analysis, the WACI analysis demonstrates differences in the underlying equities holdings and mandate styles. Both are classified as 'Emissions Intensity metrics', but where emissions are normalised based on ownership (Carbon Footprint), the WACI normalises emissions based on revenue generation and portfolio weight. Unigestion presents the highest WACI of the equity mandates, at 93.1 tons of CO<sub>2</sub>e for each £1 million of revenue, indicating that the underlying holdings in the low-volatility Unigestion portfolio are comparably more carbon intensive and therefore may be more affected by climate-related risks. LGIM's WACI is higher than usual due to the relatively small temporary allocation to carbon-intense EM, while Harris and Baillie Gifford report relatively similar results at 33.3 tons of CO<sub>2</sub>e for each £1 million of revenue and 30.3 tons of CO<sub>2</sub>e for each £1 million of revenue respectively. Despite the

variations, all equity mandates compare favourably to the global Scope 1&2 equity benchmark (122 tons CO<sub>2</sub>e/£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 improvement, and ultimately more accurate emissions data.

An assessment of the Fund's progress over time will serve as a key benchmark. Although formal 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.



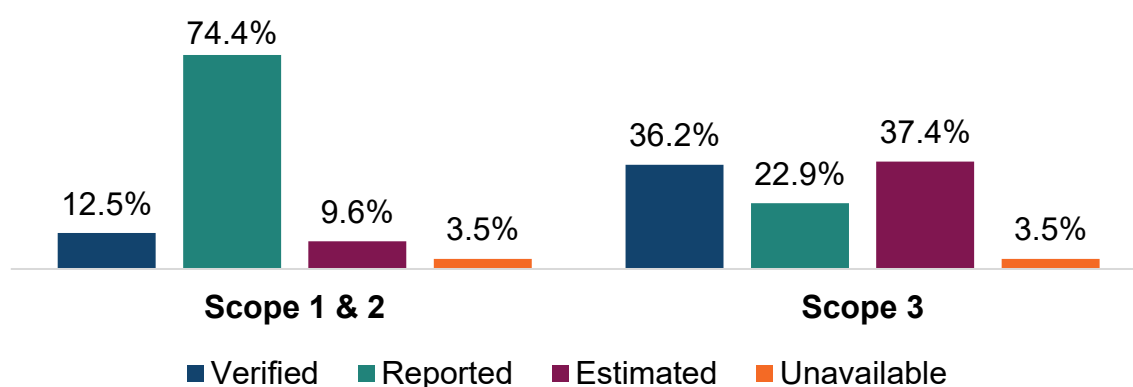
## Data Quality

In prior reporting periods, NILGOSC focused on reviewing the climate targets of underlying issuers by way of assessing portfolio alignment. As at 31 March 2025, over two fifths of the part-portfolio's holdings (43%) were found to be Paris-aligned (i.e. to have an implied temperature rise of 2.0°C or lower), and a further 7.1% of the part-portfolio had committed to Paris-aligned targets.

Northern Trust recently introduced a metric disclosing the percentage of assets for which Scope 1, 2 & 3 emissions are verified, reported or estimated, in line with the Greenhouse Gas Protocol. NILGOSC recognises that target setting must begin with the reliable measurement and reporting of emissions, and acknowledges the continued challenges in reliably measuring Scope 3 emissions. NILGOSC has therefore chosen to review and disclose the 'data quality' of its part-portfolio emissions (Scope 1, 2 & 3), the classifications of which are defined as follows:

- **Verified:** verified via CDP (formerly the Carbon Disclosure Project).
- **Reported:** Self-reported emission details from publicly available sources such as Corporate Sustainability Reports or Annual Reports. Self-reported emission details are also subject to a trustworthiness test by ISS ESG and where necessary discarded.
- **Estimated:** When verified or reported data is not available, emissions are estimated using ISS's proprietary carbon estimation model.
- **Unavailable:** The portion of in-scope assets for which no emissions data is available.

**Figure 13: Data Quality of NILGOSC's part-portfolio (%)**



The large proportion of 'verified' Scope 3 emissions (36.2%, as compared to 12.5% for Scope 1&2) reflects the difficulty for corporates to define and calculate Scope 3 emissions in-house. Over a third of issuers have therefore sought external third parties (like CDP) to calculate and verify their Scope 3 emissions.

For the same reason, there is a much lower proportion of 'reported' Scope 3 data (22.9%, as compared to 74.4% for Scope 1&2) and a much higher proportion of 'estimated' Scope 3 data (37.4%, as compared to 9.6% for Scope 1&2). The data is estimated using ISS's methodology.

NILGOSC expects to continue 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 basis for long-term, consistent and comparable carbon data, the adoption of quantifiable and meaningful climate targets remains under review and will be taken into consideration as part of any future strategic reviews.

## Progress

Steps identified in prior year report	Progress
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.	<ul style="list-style-type: none"> <li>Alongside other asset owners, NILGOSC endorsed investor statements, urging increased disclosure and voted for same.</li> </ul>
NILGOSC will utilise the outputs of its portfolio analysis to highlight areas for further risk management, engagement and monitoring.	<ul style="list-style-type: none"> <li>NILGOSC issued the CET to its investment managers securing outputs for 2025 and driving engagement with managers.</li> </ul>
NILGOSC will partake in consultations/working groups regarding carbon reporting, if applicable to NILGOSC.	<ul style="list-style-type: none"> <li>No relevant consultations over the period.</li> </ul>
NILGOSC will continue to seek out climate change opportunities.	<ul style="list-style-type: none"> <li>No new commitments were made in the period, but NILGOSC will continue to seek opportunities.</li> </ul>
NILGOSC will continue to carry out scenario analysis on at least a triennial basis, or as required by legislation.	<ul style="list-style-type: none"> <li>Completed – ongoing annual disclosure of scenario alignment analysis.</li> </ul>
NILGOSC will continue to support increased coverage of carbon datasets and the continued development of target-setting methodologies, keeping the development of appropriate targets under review.	<ul style="list-style-type: none"> <li>Ongoing engagement with our custodian, investment managers and other asset owners, as well as reviewing publicly released targets.</li> </ul>
NILGOSC will work with its Investment Advisor to strengthen the integration of climate risks and opportunities when setting the Fund's investment strategy.	<ul style="list-style-type: none"> <li>Ongoing engagement with previous and new Investment Advisors, including instruction to consider opportunities arising from climate change in the provision of advice.</li> </ul>

## 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 climate stewardship, carbon reporting and/or transition planning, 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 newly appointed Investment Advisor to strengthen the integration of climate risks and opportunities when undertaking the strategic review, and when setting 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

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