LGPS Central Limited

Nottinghamshire Pension Fund

Climate Stewardship Plan 2023 Engagement Update

MARCH 2024

PREPARED BY LGPS CENTRAL

Climate Stewardship Plan Scope

Based on the findings of its previous Climate Risk Reports the Fund has developed a Climate Stewardship Plan (CSP). The CSP identifies the areas in which stewardship techniques can be leveraged to further understand and manage climate-related risks within the Fund.

The CSP identifies a focus list of nine companies for prioritised engagement. Reflecting the externally managed nature of NPF, the Fund's portfolio managers and suppliers are engaging with these companies on behalf of the Fund.

We have reviewed the progress made by CSP companies following engagement and have also reviewed their scope 1, 2 and 3 emissions, as well as other metrics included within the Climate Risk Management Report. This includes LCT (Low Carbon Transition), ITR (Implied Temperature Rise) and SBT (Science-based Target) metrics which were new additions to the Climate Risk Management Report as of 2023. These metrics have been used to determine if portfolio companies are considered aligning/ aligned to the Paris Agreement as per LGPS Central's Paris Alignment Metric, as defined below.

Considering our review of the progress made by the CSP companies, we have included next steps for each company. These next steps include actions we believe the company should pursue regarding their current climate disclosures and considerations.

PARIS ALIGNMENT METRIC

A company will be considered at least Aligning to Paris Agreement by LGPS Central if:

The Company score above Median in Low Carbon Transition score

\+ and it meets one of the following criteria: +

The Company has a science-based target

or

The Company has an implied temperature rise rating of 2.0°C or lower

Low Carbon Transition Score

Score from 0 (worst) to 10 (best) measuring companies' exposure to and management of risks and opportunities related to the low carbon transition. Source of rating: MSCI.
Score of more than 5 (median) required to be considered at least Aligning.

\+ and +

Science-Based Target

Issuer commits to a medium- and long-term net zero target that are considered science-based; i.e. in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

or

Implied Temperature Rise

Implied temperature rise (in the year 2100 or later) if the whole economy had the same over-/undershoot level of greenhouse gas emissions to the issuer.

Below 2°C is required to be considered at least Aligning.

COMPANIES INCLUDED IN THE CLIMATE STEWARDSHIP PLAN

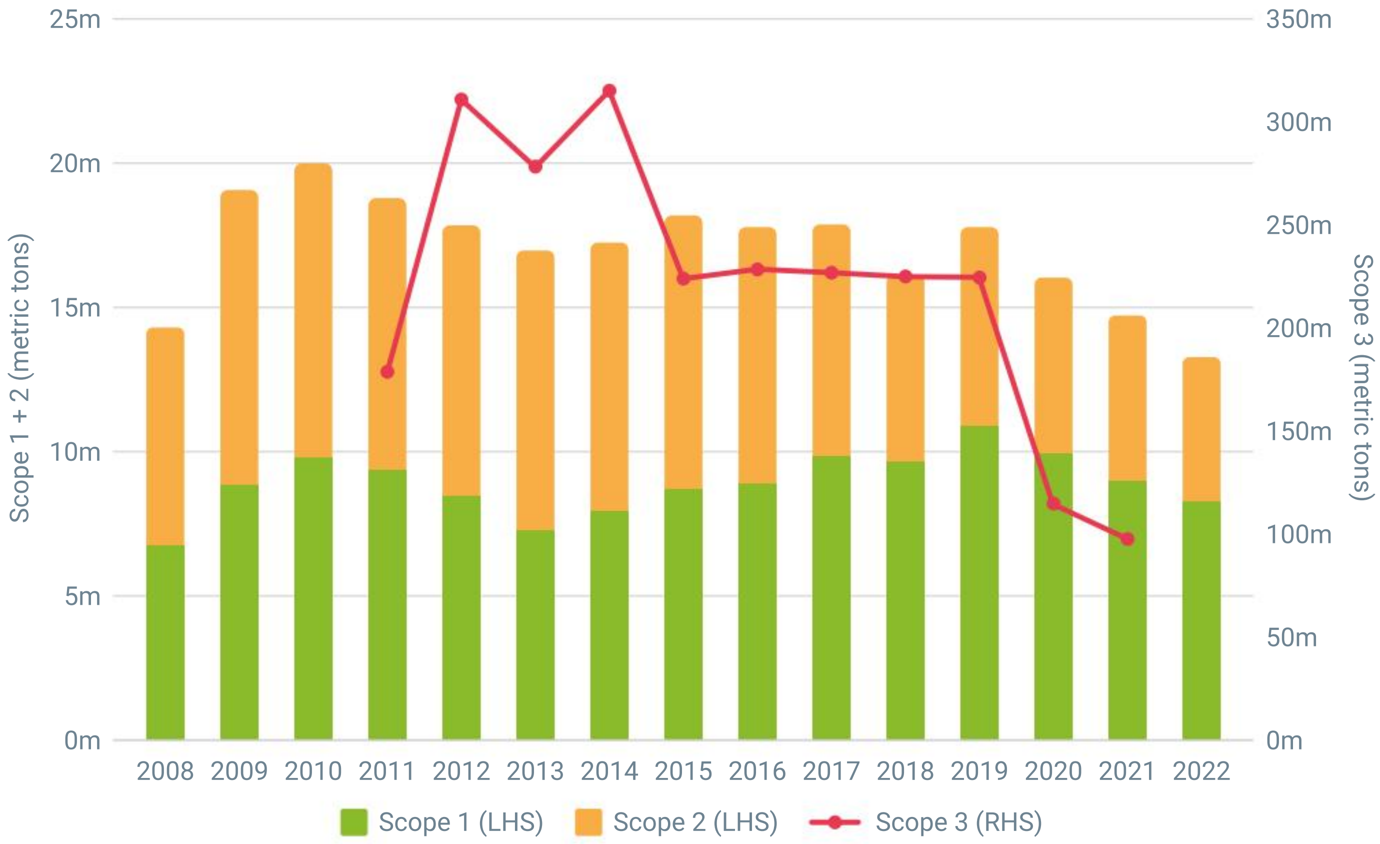
TABLE 1: COMPANIES INCLUDED IN THE CLIMATE STEWARDSHIP PLAN

Company	Sector	Equity Investment Portfolio	LCT	ITR	SBT
Anglo American	Materials	– LGIM UK Equity Index – Schroders UK Direct Holdings – LGPS Central EMEAMMF: UBS	5.8	5.5	No
BHP	Materials	– LGIM Asia-Pacific Ex-Japan Developed Equity Index – Schroders Institutional Pacific – LGPS Central Global Ex-UK Fund – LGPS Central GEAMMF: Schroders	4	5.8	No
BP	Energy	– Schroders UK Direct Holdings – LGIM UK Equity Index	2.8	2.4	No
CRH	Materials	– LGIM UK Equity Index – LGPS Central GEAMMF: Union	4.9	1.8	Yes
ExxonMobil	Energy	– LGIM North America Equity Index – LGPS Central Global Ex-UK Fund	2.5	2.9	No
Glencore	Materials	– LGIM UK Equity Index – GEAMMF: Harris – Schroders UK Direct Holdings	4.3	1.9	No
Rio Tinto	Diversified Mining	– LGIM UK Equity Index – Schroders Institutional Pacific – LGIM Asia-Pacific Ex-Japan Developed Equity – LGPS Central Global Ex-UK Fund – Schroders UK Direct Holdings	5.5	5.9	No
Shell	Energy	– Schroders UK Direct Holdings – LGIM UK Equity Index – LGPS Central GEAMMF: Schroders	2.9	2.5	No
TotalEnergies	Energy	– LGIM Europe (Ex-UK) Equity Index – LGPS Central UK Passive Equities	4.3	1.7	No

AngloAmerican

COMPANY	GEOGRAPHY	SECTOR
Anglo American plc	United Kingdom	Materials

EMISSIONS



COMPANY CONTEXT

Anglo American Plc is a British mining company, engaging in the exploration and mining of precious base metals and ferrous metals copper including platinum group metals, iron ore, nickel and manganese. Although the company has transitioned away from thermal coal, its carbon footprint, especially its Scope 3 emissions, remains substantial.

ENGAGEMENT RATIONALE

The company is one of the largest contributors to the Fund's financed emissions and weighted average carbon intensity. Accounting for 2.4% and 2.7% of NPF's equity holdings' financed emissions and weighted average carbon intensity, respectively, with a portfolio weight of 0.7%. The company is currently not considered aligning/aligned to the Paris Agreement, as measured by LGPS Central.

ENGAGEMENT OBJECTIVES

1) Achievement of the high-level objectives of the CA100+ initiative.

ENGAGEMENT STRATEGY

CA100+ collaborative engagement with EOS as co-lead and direct engagement by LGIM and Schroders.

Prepared By LGPS Central Limited.

AngloAmerican

COMPANY PROGRESS

Anglo American recorded a 11% compound annual growth rate reduction in its operational carbon emissions intensity, working towards its target of achieving carbon neutrality by 2040. The company's emissions intensity as of 2022 remained significantly lower than that of industry peers. The company has also implemented an interim target of reducing scope 1 and 2 emissions by 30% by 2030, against a baseline of 2016. Based on the data available to us, the company has reduced scope 1 and 2 emissions by approximately 25% as of 2016. Alongside scope 1 and 2 reduction ambitions, the company has targeted a 50% reduction of scope 3 emissions by 2040.

While the company has an LCT above 5, in terms of the forward-looking metrics, neither ITR nor SBT satisfy the respective thresholds for the company to be considered aligning/aligned to the Paris Agreement by LGPS Central.

NEXT STEPS

- Set targets for scopes 1, 2 and 3 emissions, preferably with a date no more than 5 years away.
- Develop and disclose the company's plan to the measurement and abatement of methane emissions from its coal operations.
- Alignment of a scope 3 ambition to a 1.5° pathway for coal production in relation to steelmaking.

ENGAGEMENT CASE STUDY

OBJECTIVE

Set scope 3 greenhouse-gas targets aligned to the Paris Goals and 1.5C.

THEME

Climate Change

ENGAGEMENT

Anglo American has set a Scope 3 emissions reduction target of 50% by 2040. However, this does not appear sufficiently ambitious to achieve 1.5C. We therefore wish to see increased ambition, ideally together with short-, and medium-term targets, to ensure the firm is managing its climate-related risks effectively. As part of CA100+, EOS co-wrote to the Chair to raise concerns over the company's climate change plans. During a meeting with the Climate Change Lead, the company acknowledged that its ambition for Scope 3 emissions could be expressed as 80% by 2040, rather than 50%, once taking account of the actions made by its customers. The company acknowledges the challenge with setting Scope 3 emission targets (i.e. it is generally not within the full control of the company), but also the importance of setting such targets and explaining the dependencies.

In addition to the engagement conducted by our Stewardship Provider, EOS, LGPSC sent a letter to the company requesting they set 1.5C Science-Based emission reduction targets through the CDP Science-Based Targets Campaign'.

OUTCOMES

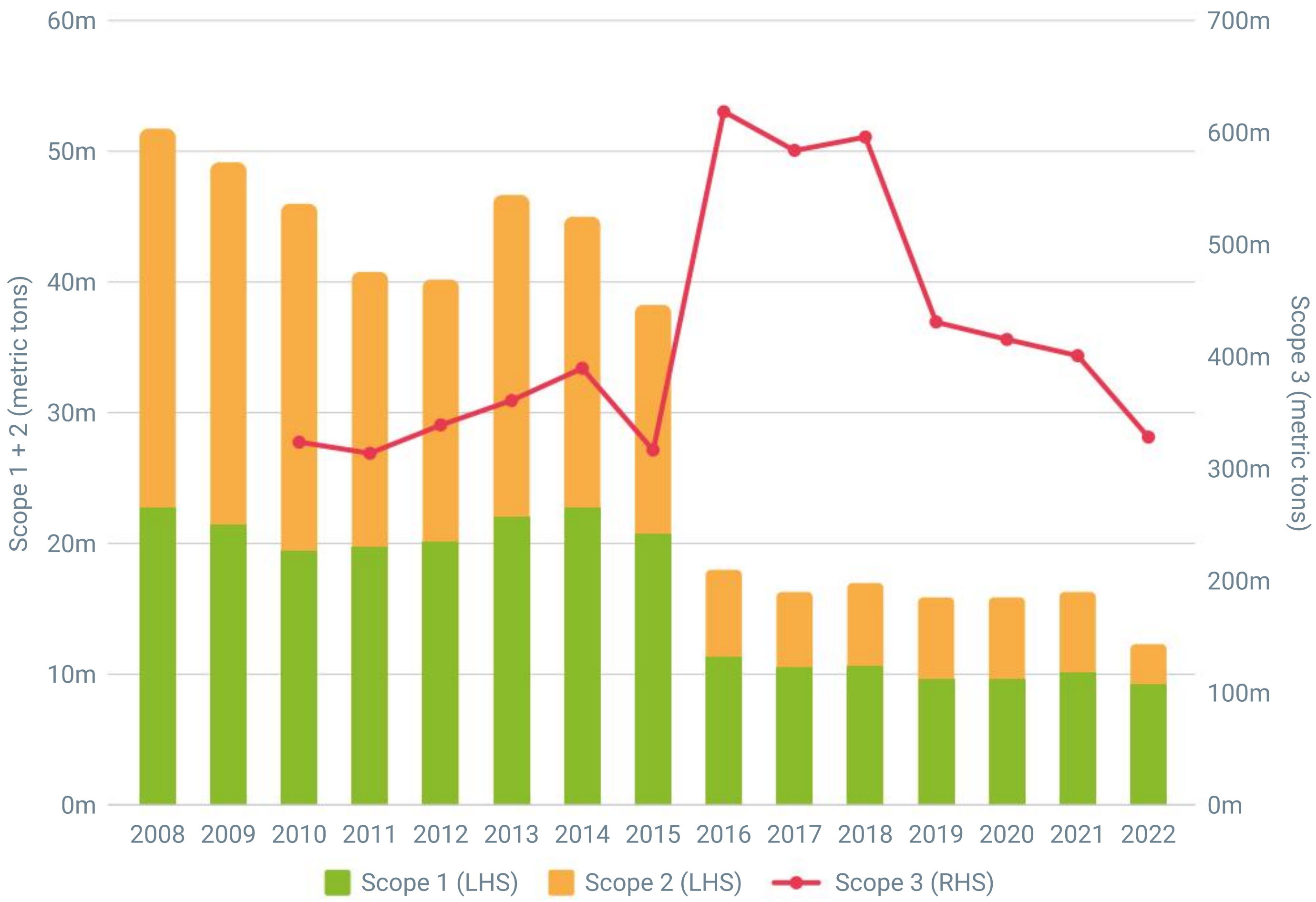
Further details are being provided by the company on levers to decarbonise their Scope 3 emissions, for example, through advocacy, product tailoring, and technological development at both the customer and industry level. Engagement will continue to focus on this area with the aim for the firm to strengthen its Scope 3 targets. We also look forward to receiving a response from the company regarding the Science-based target letter.

Prepared By LGPS Central Limited.

BHP

COMPANY	GEOGRAPHY	SECTOR
BHP	Australia	Materials

EMISSIONS



COMPANY CONTEXT

BHP is an Australian mining and metals company engaging in the exploration, development, production and processing of iron ore, metallurgical coal, and copper. In September 2020 the company announced its Net Zero by 2050 target. The company also plays an important role in the production of transition minerals.

ENGAGEMENT RATIONALE

BHP is one of the top contributors of portfolio financed emissions and weighted average carbon intensity within several of the Fund's portfolios. Due to its products, its carbon footprint, especially scope 3, is significantly high. The company currently performs poorly in terms of current climate risk management, as measured by LCT, as well as forward looking metrics, including ITR and SBT.

ENGAGEMENT OBJECTIVES

1) For BHP to establish clear short-, medium- and long-term GHG reduction targets that cover all material scope 1, 2 and 3 GHG emissions and are aligned with a 1.5°C warming trajectory.

BHP

ENGAGEMENT STRATEGY

- Direct Engagement by LGPS Central via the CA100+.

COMPANY PROGRESS

BHP's is targeting a 30% reduction in operational financed emissions by 2030, against a baseline of 2020, to support a goal of net zero operational emissions by 2050. The company's scope 1 and 2 emissions have reduced by approximately 22.6% from 2020, as determined with the data available to us. The company's operational emissions intensity has also experienced a decrease of approximately 20% compounded annually between 2020 to 2022. Despite these positive signs the company remains exposed to downstream climate transition risks due to the company's exposure to iron ore which is used in steel production.

NEXT STEPS

- More robust, time-bound scope 3 commitments. The company's current goal of net zero scope 3 emissions is dependent on several uncertainties, such as innovations in steelmaking which are unknown and ongoing, and given that scope 3 emissions account for a significant proportion of BHP's total emissions, we would welcome more material targets.
- Assure investors that the Plan is fully aligned with a 1.5°C scenario. Currently, the CA100+ benchmark assessment does not recognise BHP's short-, medium-, and long-term targets as aligned to the goals of the Paris Agreement.
- Reduce reliance on technological advances that are yet to be realised such as carbon capture and storage. The scale of CCUS utilisation in the current plan is not defined.

BHP

ENGAGEMENT CASE STUDY

OBJECTIVE

Develop a Scope 3 carbon emissions reduction programme with measurable targets.

THEME

Climate Change

ENGAGEMENT

As part of the collaborative engagement initiative, CA100+, EOS raised concerns with BHP about the need to develop a framework of collaboration with clients and set targets for Scope 3 carbon emissions. Extensive engagement in 2020 included calls with the head of sustainability to discuss the draft plan to set a medium-term target for carbon emissions reduction in line with the Science Based Targets Initiative. A subsequent call with the Head of Sustainability focused on investor feedback on the development of its framework for Scope 3 carbon emissions reduction. The company highlighted the complexities due to being a diversified miner. The company also explained that initially, its Scope 3 goal will be near term, as part of a learning curve. Discussions also centred around strengthening the link between progress against Scope 3 emission reduction targets and the remuneration scorecard.

OUTCOMES

Since engagement commenced with BHP on its Scope 3 emissions reduction programme, progress has been made on the following:

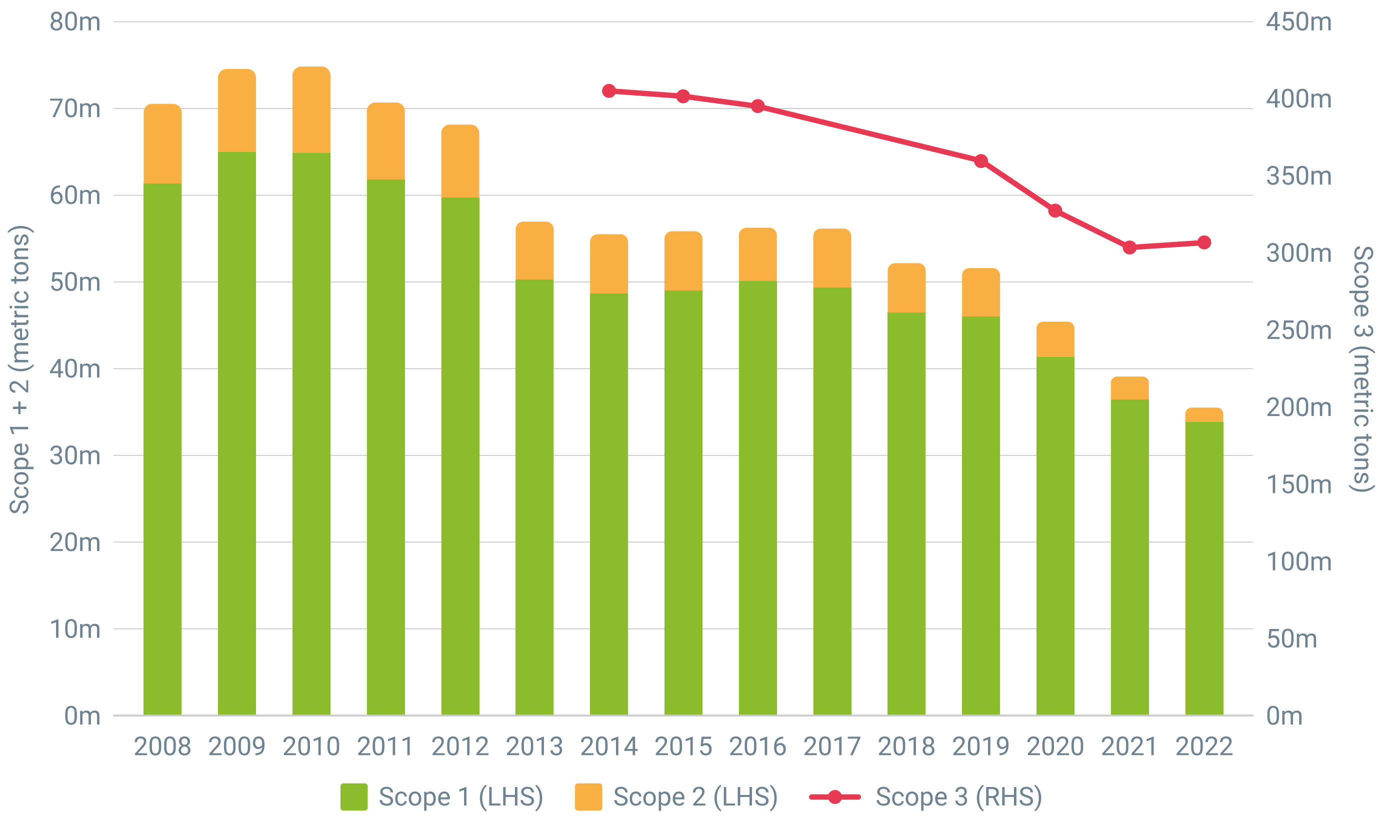
- The company reiterated its commitment for scope 3 by 2050 for operational greenhouse gas emissions of direct suppliers and shipping of its products.
- Medium-term goals have been defined to support industry to develop technologies and pathways capable of 30% emissions intensity reduction in integrated steelmaking with widespread adoption expected post 2030.
- Support 40% emissions intensity reduction of BHP-chartered shipping of BHP products.
- Developed a strategy for Scope 3 emissions and monitoring progress.
- Commercial teams are finding opportunities to work with customers on emissions reductions. The company provided detailed case studies on 8 customer partnerships which account for 33% of revenue.

BHP is keen to understand how it can improve its work on Scope 3. The investor group asked for evidence of success that goes beyond case studies and demonstrates the extent of the progress towards achieving its climate goals.

bp

COMPANY	GEOGRAPHY	SECTOR
BP	United Kingdom	Energy

EMISSIONS



COMPANY CONTEXT

BP Plc is a British integrated oil and gas company, operating both upstream and downstream segments. Upstream segments include oil and natural gas exploration, transportation, storage, processing and marketing. While downstream segments include manufacturing, transporting, and petrochemical products and related services to wholesale and retail customers.

The company caused controversy in February 2023 when it scaled back its transition commitments. Its previous target to reduce oil and gas production by 40% by 2030, which was often highlighted as an example of best practice in the sector, was scaled back to 25%. It also scaled back its commitment to reduce its upstream Scope 3 emissions by 35-40% by 2030 to 20-30% by the same year.

ENGAGEMENT RATIONALE

BP Plc is the 3rd top contributor to NPF's equity portfolio's financed emissions, contributing 4.0%, with a portfolio weight of 1.0%. The company is also a large driver of the portfolio's exposure to fossil fuels, as measured in both absolute terms and when apportioned by revenue.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.
- To duly account for climate risks in financial reporting.

Prepared By LGPS Central Limited.

ENGAGEMENT STRATEGY

1) Collaborative engagement through Climate Action 100+ with EOS as co-lead. Use of voting to support ongoing engagement objectives.
2) Collaborative engagement through NEST.

COMPANY PROGRESS

During 2023, BP Plc reduced the ambition of their 2030 scope 3 from 35-40% reduction to 20-30%, while also scaling back their target to reduce oil and gas production by 40% by 2030, to a 25% reduction by the same date. These target scale-backs came alongside the company's confirmation of plans to increase its investment in oil and gas until at least 2030. However, the company still aims to be net zero in all scopes (1, 2 and 3) by 2050. The company has also spent $4.9 billion on low emission segments, accounting for approximately 30% of total CapEx, including investments in renewable energy and hydrogen projects.

The company's scope 1 and 2 emissions have reduced by approximately 31% from their baseline of 2019, as measured by the data available to LGPS Central.

NEXT STEPS

- Addressing downward revisions of climate-related targets/commitment of no further downward revisions.
- Additional clarity regarding the production outlook beyond 2030 and avoiding any additional oil and gas projects with long lead times.
- Improved GHG intensity emissions reduction trajectory on products sold, as -15-20% by 2030 does not appear to be Paris aligned.
- Publish absolute emissions projections for downstream business.

ENGAGEMENT CASE STUDY

OBJECTIVE

Align CapEx with climate targets.

THEME

Climate Change

ENGAGEMENT

BP pared back its industry-leading commitment to cut its oil and gas output by 40% by 2030, compared with 2019 levels. Following the revision of BP's climate targets, LGPSC co-signed a letter in Q1 2023 and attended a follow up call with the company voicing our concerns with the rollback of its climate targets. We escalated our concerns by publicising our intention to vote against the chair of BP due to the revision of climate targets in articles published by the Financial Times, Responsible Investor, and ESG Investor.

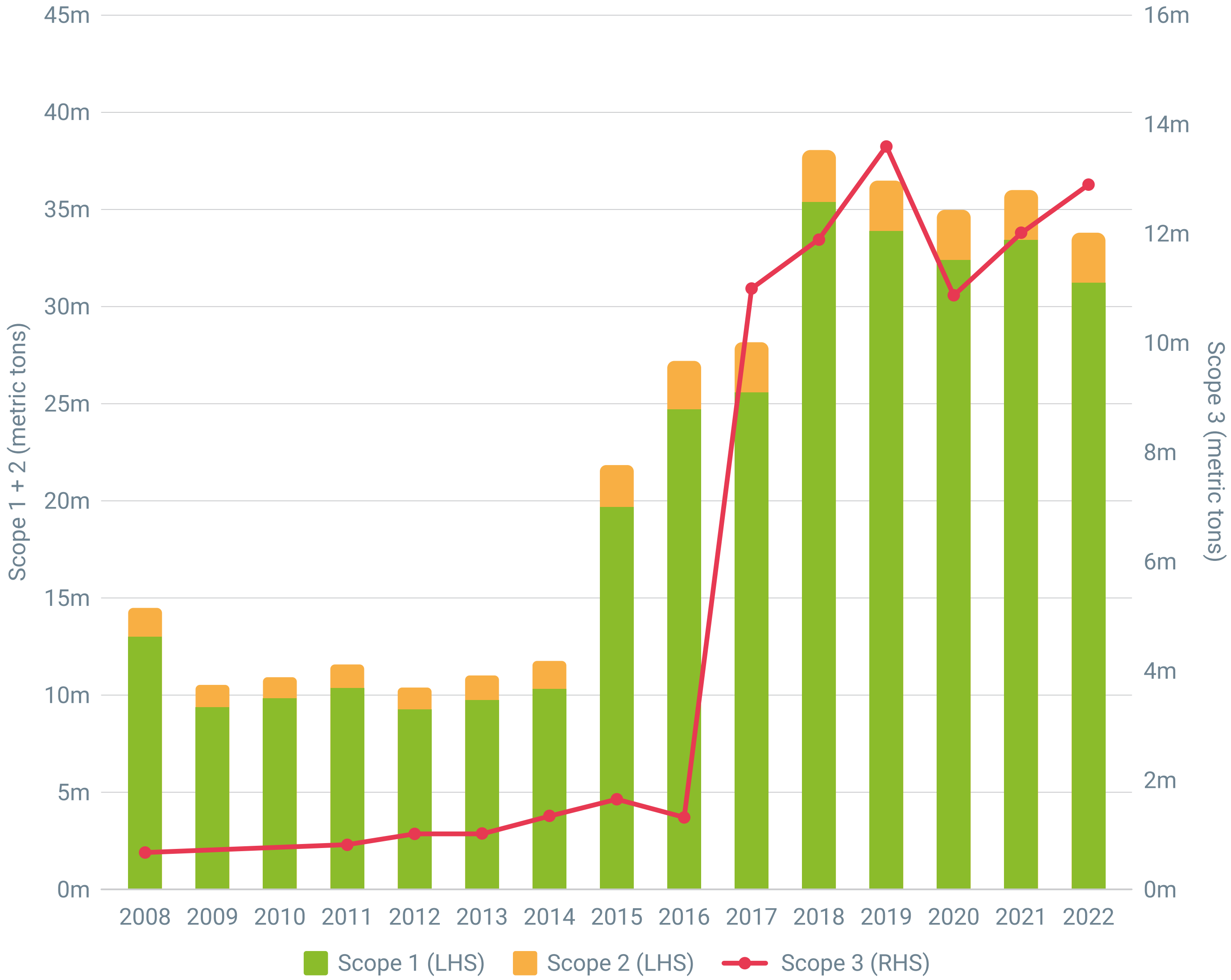
OUTCOMES

LGPSC attended a call alongside other investors to discuss the company's CapEx alignment with net zero and low carbon energy solutions. BP provided a summary of recent and planned future capital spending across strategic themes with approximately $8.5bn p.a. allocated to resilient hydrocarbons as well as refining and bioenergy. In 2022, group CapEx was $16.3bn, of which $4.9bn was attributed to low carbon energy solutions. The investor group has sent an email in request for further clarification on how these elements are aligned with BP's 2030 target and longer-term aim of net zero.

CRH

COMPANY	GEOGRAPHY	SECTOR
CRH	Ireland	Materials

EMISSIONS



COMPANY CONTEXT

CRH is a global manufacturer and distributer of building materials and products used within the construction industry. Products primarily include concrete, asphalt, agricultural and chemical lime. Products sold by CRH are ultimately required for services such as major public roads and infrastructure projects, and commercial and residential buildings.

ENGAGEMENT RATIONALE

CRH is the 5th largest contributor to NPF's equity portfolio's financed emissions and 10th largest contribute to the portfolio's weighted average carbon intensity, contributing 2.4% and 1.6% respectively, despite a portfolio weight of 0.2%. The company's scope 1 and 2 emissions more than doubled over a 10-year period (2012 to 2022) driven by M&A activities.

CRH

ENGAGEMENT OBJECTIVES

- Improved disclosure around its membership and involvement in trade associations engaged in climate issues.
- More robust reporting of Scope 1, 2 and 3 emissions.
- Increased development of activities focusing on low-carbon cement solutions.
- Paris-aligned financial accounting.

ENGAGEMENT STRATEGY

Collaborative engagement by the CA100+ focus group. Ongoing investor engagement on Paris-aligned financial accounting. Use of voting to support ongoing engagement objectives.

COMPANY PROGRESS

Executive pay practices appear generally well aligned with the interest of shareholders in terms of sustainability concerns. The company also leads peers in terms of implementing programs to reduce carbon emissions in cement production. The company has established a 2030 emissions target which has been validated by the SBTi. The target refers to a 30% reduction in absolute emissions by 2030 from a base year of 2021. The company has so far reduced scope 1 and 2 emissions by 6.1% (from 2021 to 2022) as measured by the data available to LGPS Central.

The company has achieved an ITR below 2°C, and as mentioned above, has implemented a SBT, crossing both thresholds required by the forward looking metrics to be considered Paris aligning/aligned. Unfortunately, the company's current management of climate risks, as measured by LCT is marginally below the threshold. A requirement for the company to be considered Paris aligning/aligned by LGPS Central.

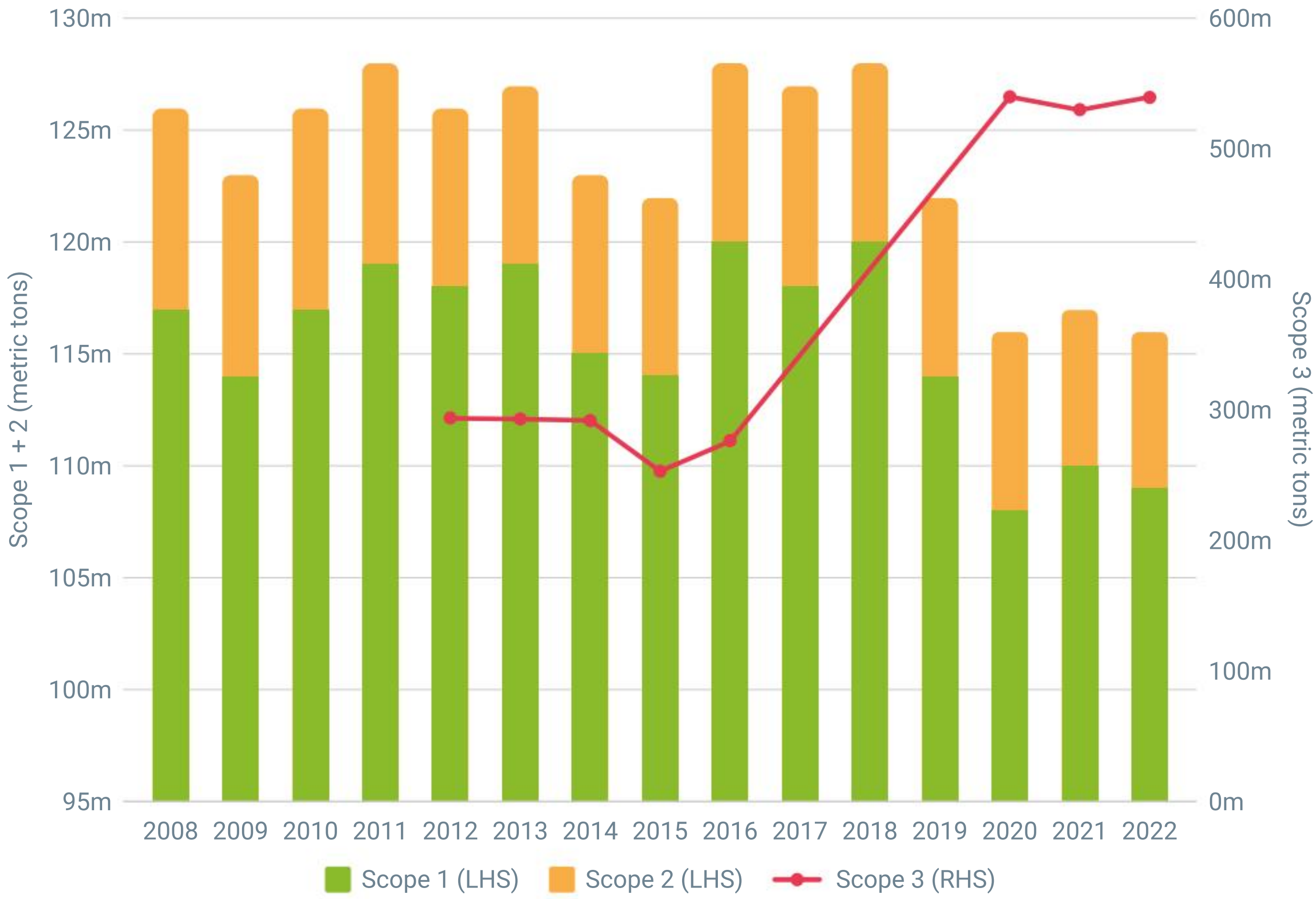
NEXT STEPS

- Climate-aligned accounting and audit: the company has thus far not responded to investor expectations regarding how material climate risks are considered in its accounts, how its own climate targets have been incorporated into the assessment of assets, liabilities and profitability, or what a 1.5° pathway might mean for CRH's financial position. EOS will continue to engage on this topic.

ExxonMobil

COMPANY	GEOGRAPHY	SECTOR
ExxonMobil	North America	Energy

EMISSIONS



COMPANY CONTEXT

ExxonMobil is a US oil and gas company that engages in exploration, development and distribution of oil and gas. The company produces crude oil and natural gas, trades petroleum products and offers petrochemicals.

The company has lagged international majors, such as Shell, in aligning efforts to transition its operations toward cleaner energy alternatives. During 2023 an activist hedge fund, Engine No.1, successfully replaced three of ExxonMobil's Board members, following concerns the company was failing to implement a viable climate change strategy. The independent board members received unlikely support from ExxonMobil's largest shareholders: BlackRock, Vanguard and State Street.

ENGAGEMENT RATIONALE

ExxonMobil is a material contributor to the fossil fuel exposure and financed emissions within the LGIM North America equities portfolio. The company also does not meet any of the criteria required to be considered aligning/aligned to the Paris agreement by LGPS Central.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.

ExxonMobil

ENGAGEMENT STRATEGY

1) Collaborative engagement via the CA100+ initiative.
2) Direct engagement by Hermes EOS.

COMPANY PROGRESS

The company continues to lag peers in terms of mitigating risks related to carbon intensity and emissions, despite announcing an emissions intensity reduction target in 2022, for 2030, alongside lower emissions initiatives by 2027. ExxonMobil has implemented targets to reduce absolute scope 1 and 2 emissions by 20%, by 2030, against a 2016 baseline, with an ambition to have net zero operational emissions by 2050. Currently the company has reduced scope 1 and 2 emissions by 9.4% based on the data available to LGPS Central. ExxonMobil currently has no targets regarding scope 3 emissions.

ExxonMobil has increased planned investment into areas such as carbon capture and storage, hydrogen, and biofuels. However, the company's offshore developments somewhat mitigate the impacts of these investments into clean technologies.

NEXT STEPS

- Expansion of climate targets to include scope 3 emissions and non-operated assets. This could be through scope 3 intensity targets.
- Inclusion of climate-related risks in critical audit matters.
- While engagement has improved EOS still reports a lack of transparency on reporting and there is a lack of disclosure relative to other oil and gas firms.
- EOS highlights an importance of methane reduction as well as greater disclosure of this.
- The company's intensity-based emissions reduction target does not seem to align with Paris Agreement.

ENGAGEMENT CASE STUDY

OBJECTIVE

Disclosure on how the auditor considers climate change risks and opportunities.

THEME

Climate Change

ENGAGEMENT

In 2021 EOS have engaged with ExxonMobil requesting the company ensure the auditor discloses how it considers climate risks and opportunities in the report to the audit committee for the annual meeting. EOS recommended supporting the ratification of the auditor however outlined that much better disclosure of climate-related matters should be included in the audit committee report in the future.

Following the 2023 AGM, LGPSC wrote to the company outlining our rational for dissenting from management recommendation. We voted against management recommendation to re-elect the Chair of the Environment, Safety and Public Policy Committee due to the mismanagement of climate-related risks. We supported several climate-related shareholder resolutions including, requesting the company to adopt a Scope 3 medium term emissions reduction target, report on Asset Retirement Obligations under the IEA NZE scenario, and report on methane emissions.

OUTCOMES

Ahead of the 2023 annual meeting, climate change remained omitted from critical audit matters and the auditor did not disclose how it considers climate change risks in its report to the audit committee. This outcome is disappointing and warrants further engagement. Furthermore, the company has used the same auditor since 1934 and should consider auditor rotation to ensure maximum quality and independence.

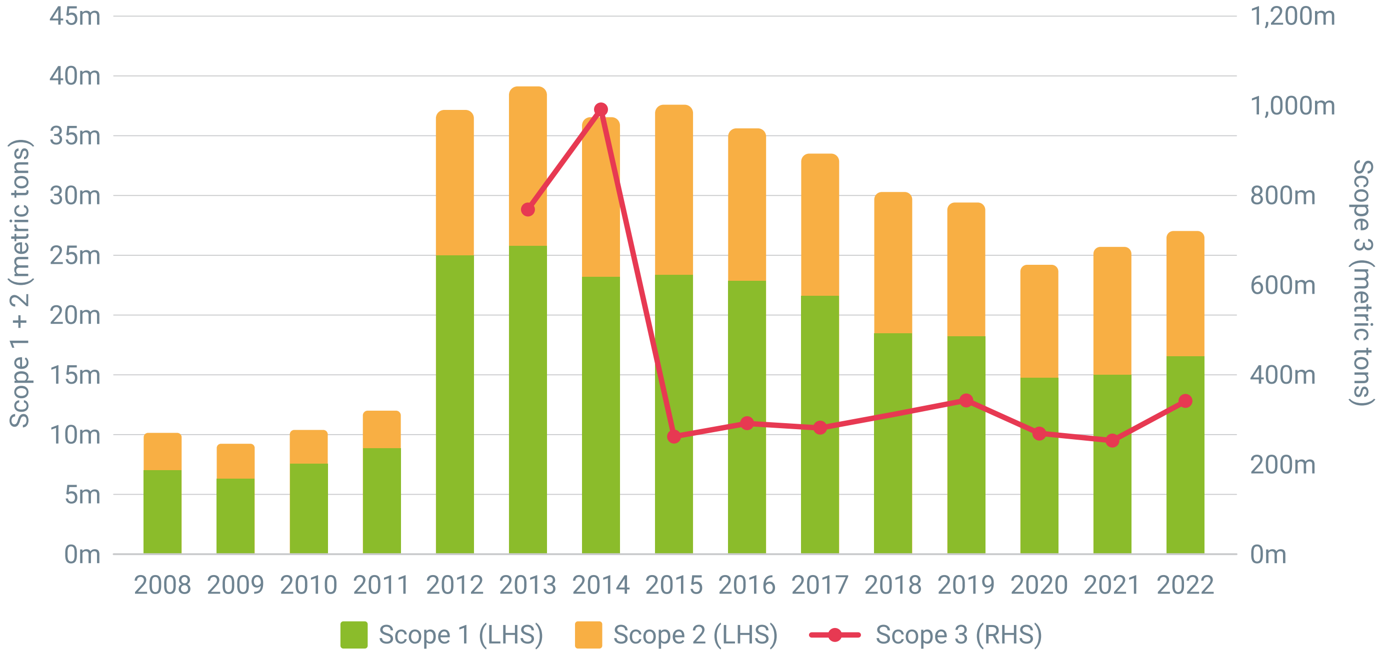
GLENCORE

COMPANY
Glencore

GEOGRAPHY
Switzerland

SECTOR
Mining

EMISSIONS



COMPANY CONTEXT

Glencore is a Swiss mining company that engages in the production, processing and marketing of metals, minerals, energy products and agricultural products. The firm serves the automotive, steel, power generation, battery manufacturing, and oil sectors.

ENGAGEMENT RATIONALE

Glencore is one of the largest contributors to financed emissions in several of NPF's equity portfolios and is a driving factor in NPF's exposure to thermal coal. The company was also one of the top three worst contributors to financed emission on a year-on-year basis in NPF's equity portfolio.

ENGAGEMENT OBJECTIVES

Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.

ENGAGEMENT STRATEGY

Engagement by LGPSC as co-lead for the CA100+ Glencore Focus group. Voting is used to actively support ongoing engagement and to voice concerns and/or escalate the engagement as needed.

COMPANY PROGRESS

Glencore has committed to a climate transition plan and targets to reduce coal assets and scope 1, 2 and 3 emissions by 50% by 2035, compared to a 2019 baseline. Of which, we have observed an approximate 8% decrease in scope 1 and 2 emissions, as measured by the data available to LGPS Central.

While the company has achieved an ITR below 2°C, the company does not have an LCT which meets the required threshold for LGPS Central's Paris Alignment Metric, nor does it have an SBT.

GLENCORE

NEXT STEPS

- The impact from Glencore's acquisition of Teck's steelmaking business is yet to be observed and will likely impact the company's approach and progress to decarbonisation.
- As co-lead of CA100+ engagement with Glencore, LGPS Central will pursue dialogue with the CEO, but also seeking dialogue with the Board Chair and Chair of Audit Committee, on:
  - More ambitious short-term targets.
  - A specific 2030 target, to ensure full transparency on the trajectory of decarbonisation relative to IEA/IPCC's 1.5C for coal.
  - Net zero accounting, with dialogue based around the findings of Carbon Tracker (previously shared with Glencore).
  - Climate policy lobbying, with emphasis on Glencore actively advocating for a policy environment in key markets (including Australia) which will be conducive to the green shift and supportive of the pivot that Glencore is seeking.

ENGAGEMENT CASE STUDY

THEME

Climate Change

OBJECTIVE

LGPS Central expects companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

ENGAGEMENT

We engaged with the Head of Sustainable Development at Glencore in March 2023 requesting to see a comparison between Glencore's short/medium term decarbonisation. LGPS Central co-signed a letter outlining our "red flags" and the assurances we needed regarding the Company's climate transition efforts in advance of the 2023 AGM. In March 2023, a 1:1 meeting between LGPS Central and the Head of Sustainable Development was scheduled. We expressed a desire for Glencore to disclose short and medium-term decarbonisation targets and to set a specific 2030 target.

Following some turnover within the CA100 group we wrote to the company in October 2023 to reconnect with the firm and set out several elements of its draft Climate Transition Plan the investor group would like to discuss in advance of the 2024 AGM.

In addition to the engagement conducted via CA100+, we also sent a letter to the company requesting they set 1.5C Science-Based emission reduction targets through the CDP Science-Based Targets Campaign.

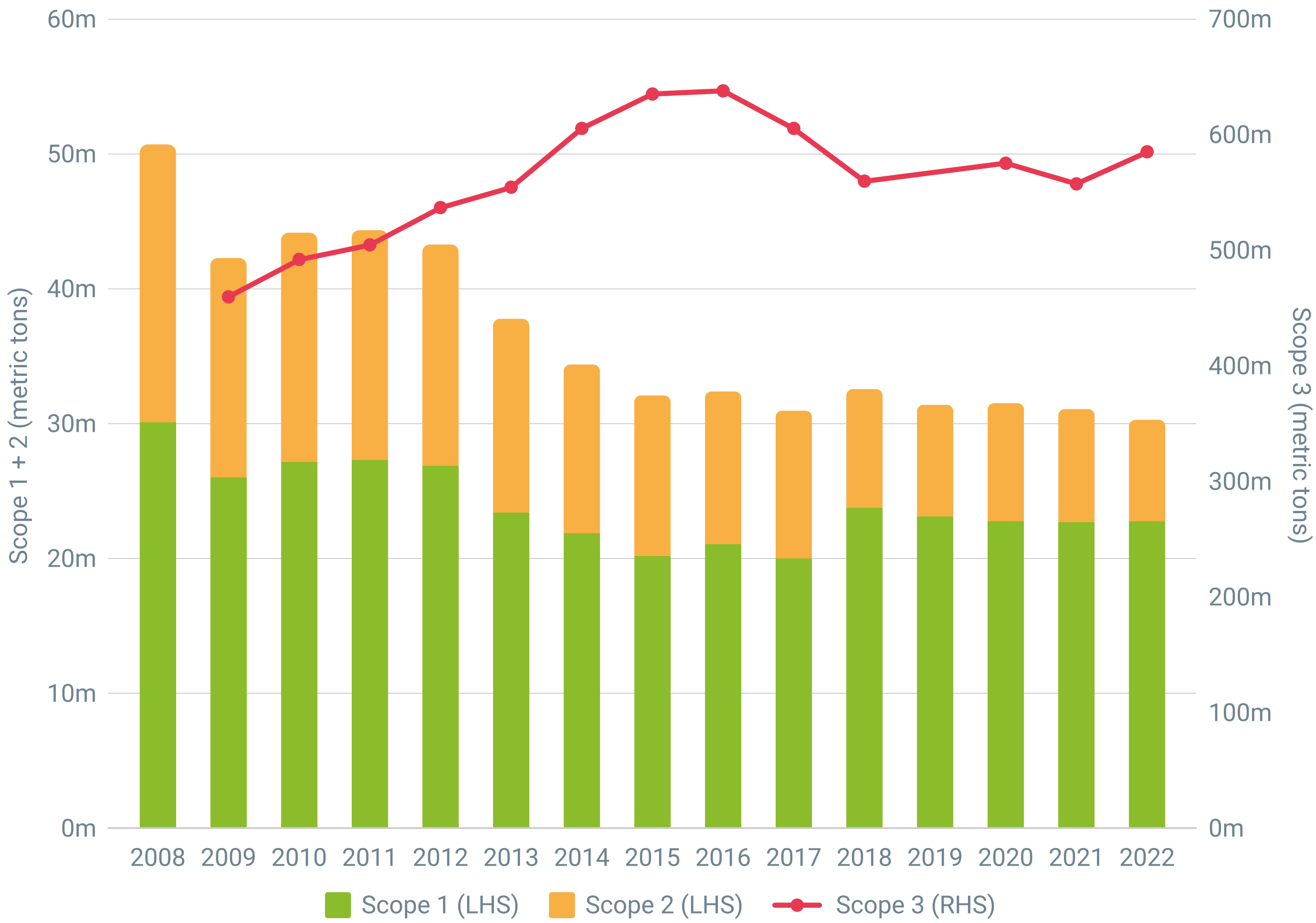
OUTCOME

We are continuing to build bilateral dialogue with the Company to encourage them to present a strong revised climate transition plan in 2024 that addresses our concerns. We also look forward to the firm's response regarding the Science-based targets letter.

Rio Tinto

COMPANY	GEOGRAPHY	SECTOR
Rio Tinto	Australia	Materials

EMISSIONS



COMPANY CONTEXT

Rio Tinto is an Anglo-Australian multinational diversified mining company involved in the exploration, mining and processing of iron ore, aluminium, copper, diamonds, energy and minerals.

ENGAGEMENT RATIONALE

Rio Tinto contributes 2.0% and 2.4% of NPF's equity financed emissions and weighted average carbon intensity respectively, despite accounting for 0.4% of NPF's equity portfolio. The company has also received an ITR above 2°C and has not implemented an SBT.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level objectives of the CA100+ initiative including attainment of the specific indicators in the CA100+ Benchmark Framework.
- Set a Net Zero target that includes emissions reduction targets for Scope 3 emissions.

ENGAGEMENT STRATEGY

- Engagement by LGPS Central as part of the CA100+ focus group.

Rio Tinto

COMPANY PROGRESS

The company has no exposure to coal following the sale of its remaining coal assets in 2018. Following investor engagement, in 2022 the company announced new climate targets: to reduce their Scope 1 & 2 emissions by 15% by 2025 and 50% by 2030 relative to a 2018 baseline. These targets are consistent with the IPCC pathways to 1.5°C. The company has yet to announce Scope 3 emissions targets despite investor pressure. With the data available to LGPS Central, the company has undergone an approximate 7% decrease in scope 1 and 2 emissions from 2018.

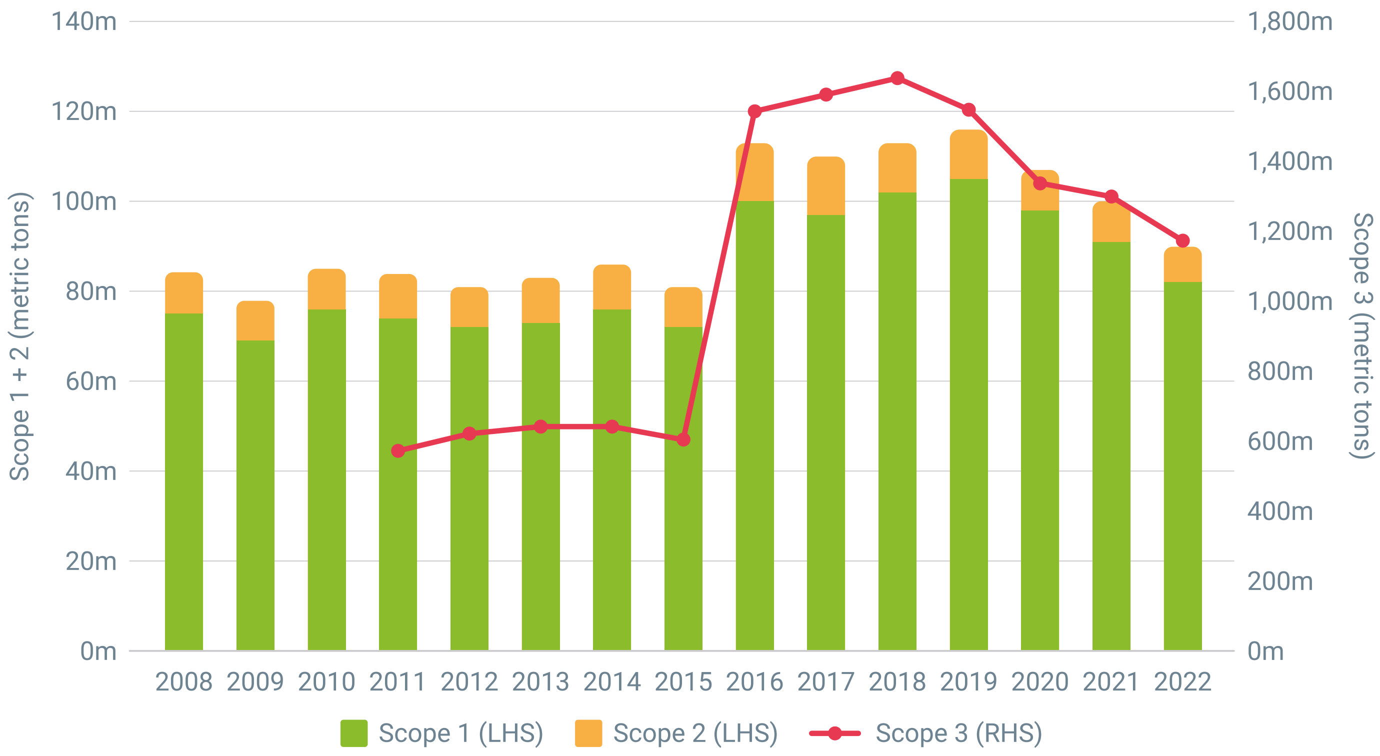
NEXT STEPS

Engagement will focus on encouraging the company to:

- Set robust, time-bound scope 3 emissions reductions target.
- Exit any industry associations with climate lobbying practices that are misaligned with the Paris Agreement.
- Provide a definition of the extent that the company will rely on carbon capture and storage within its decarbonisation strategy.

COMPANY	GEOGRAPHY	SECTOR
Shell	United Kingdom	Energy

EMISSIONS



COMPANY CONTEXT

Shell is a multinational oil and gas company. The firm, through its subsidiaries, explores, produces, and refines petroleum; produces fuels, chemicals, and lubricants; and owns and operates gasoline filling stations worldwide.

In May 2021, the Dutch court ordered Shell to cut carbon emissions from its oil and gas products by 45% by 2030. Shell is currently appealing against the Dutch court order.

In early 2023, Shell's Board of Directors were also sued due to their alleged mismanagement of climate risk as part of their fiduciary duties. Environmental lawyers ClientEarth asked the high court to order Shell's board to adopt a strategy to manage climate risk in line with its duties under the Companies Act. LGPS Central provided evidence of the engagement undertaken with the company to the High court, as ClientEarth's claims were aligned with our expectations as an investor. However, ClientEarth lost this case.

ENGAGEMENT RATIONALE

Shell is the greatest contributor to NPF's equity portfolio's financed emissions and weighted average carbon intensity. The company accounts for 18.7% and 7.3% of financed emissions and weighted average carbon intensity, despite accounting for 2.0% of the portfolio. Shell is also a driving factor in NPF's exposure to fossil fuels and potentially poses the greatest stranded asset risk in NPF's equity portfolio. The company currently does not meet any of the required thresholds to be considered as aligning/aligned to the Paris agreement by LGPS Central.

ENGAGEMENT OBJECTIVES

1) To set and publish targets that are aligned with the goal of the Paris agreement.
2) To fully reflect its net zero ambition in its operational plans and budgets.
3) To set a transparent strategy on achieving net zero emissions by 2050; including valid assumptions for short, medium and long term targets.

ENGAGEMENT STRATEGY

Collaborative engagement by the CA100+ focus group and through the Paris-aligned financial accounting investor initiative. Use of voting to support ongoing engagement objectives. Direct engagement by LGPS Central, including letter exchanges and dialogues.

COMPANY PROGRESS

In 2017, Shell announced a Net Carbon Footprint ambition covering both direct and indirect emissions. In April 2020, following engagement with industry stakeholders, Shell announced its ambition to reduce scope 1 and 2 emissions to net zero by 2050 or sooner, and to reduce scope 3 emissions by 65% by 2050 (and 30% by 2035). For the remaining 35%, Shell aims to help its customers decarbonise through Carbon Capture and Storage (CCS) and other offsetting mechanisms. However, during March 2024 Shell removed their 2035 carbon intensity target due to uncertainty around the pace of change in the energy transition. Shell is planning to keep oil production flat while growing their gas business by 30% by 2030. This effectively contradicts the IEA's recommendation that no new oil and gas investment is needed on a 1.5C pathway. Prior to this a Dutch court ruled that Shell's original climate targets were not ambitious enough and instructed the company to cut absolute emissions by 45% by 2030. Shell has appealed against the ruling.

During 2021 Shell completed the sale of shale assets and completed the acquisition of the renewable energy platform, Spring Energy in 2022. $4.3 billion of the company's CapEx was in low-carbon technologies.

From 2016, Shell's scope 1 and 2 emissions reduced by approximately 20%, based on the data available to LGPS Central.

NEXT STEPS

Key issues that CA100+ engagers will focus on ahead:

- Intensity emissions reduction targets must be complemented by absolute emissions reduction targets, across all scopes.
- Aligning CapEx with their NZ ambition.
- Demand-side: investors will work with sectors on the demand side, alongside Shell's engagement with its customers, to influence a 1.5°C aligned transition.
- Resolution of climate-related litigation.
- Disclose Shell's approach to support customer decarbonisation.

ENGAGEMENT CASE STUDY

THEME

Climate Change

OBJECTIVE

We expect companies to set clear, reasonable, and measurable climate action targets aligned with the Paris Agreement. We also compare those targets with the company's industry peers, as well as Paris-aligned sector pathways, and engage with the company in case of any major deviations.

ENGAGEMENT

Following Shell's 2023 AGM we wrote to the Chair outlining our rationale for those resolutions where we dissented from management. We voted against the election of the CEO and re-election of the Chairs of Remuneration Committee, Audit Committee, Safety, Environment and Sustainability Committee, and Nomination Committee due to the mismanagement of climate-related risks. We voted against the Shell Energy Transition Progress due to concerns over the lack of an absolute Scope 3 target and the heavy reliance on carbon capture and storage and carbon offsets in the transition plan. We also supported a shareholder resolution requesting the company align its existing 2030 reduction target covering the greenhouse gas emissions of the use of its energy products with the goal of the Paris Agreement.

Following our letter to the Chair, we engaged with the VP ESG Investor Relations and Senior Investor Relations Officer in December 2023. We discussed various elements of the Climate Transition Plan including, carbon capture, CapEx on renewable energy solutions, Scope 3 emissions, and oil production.

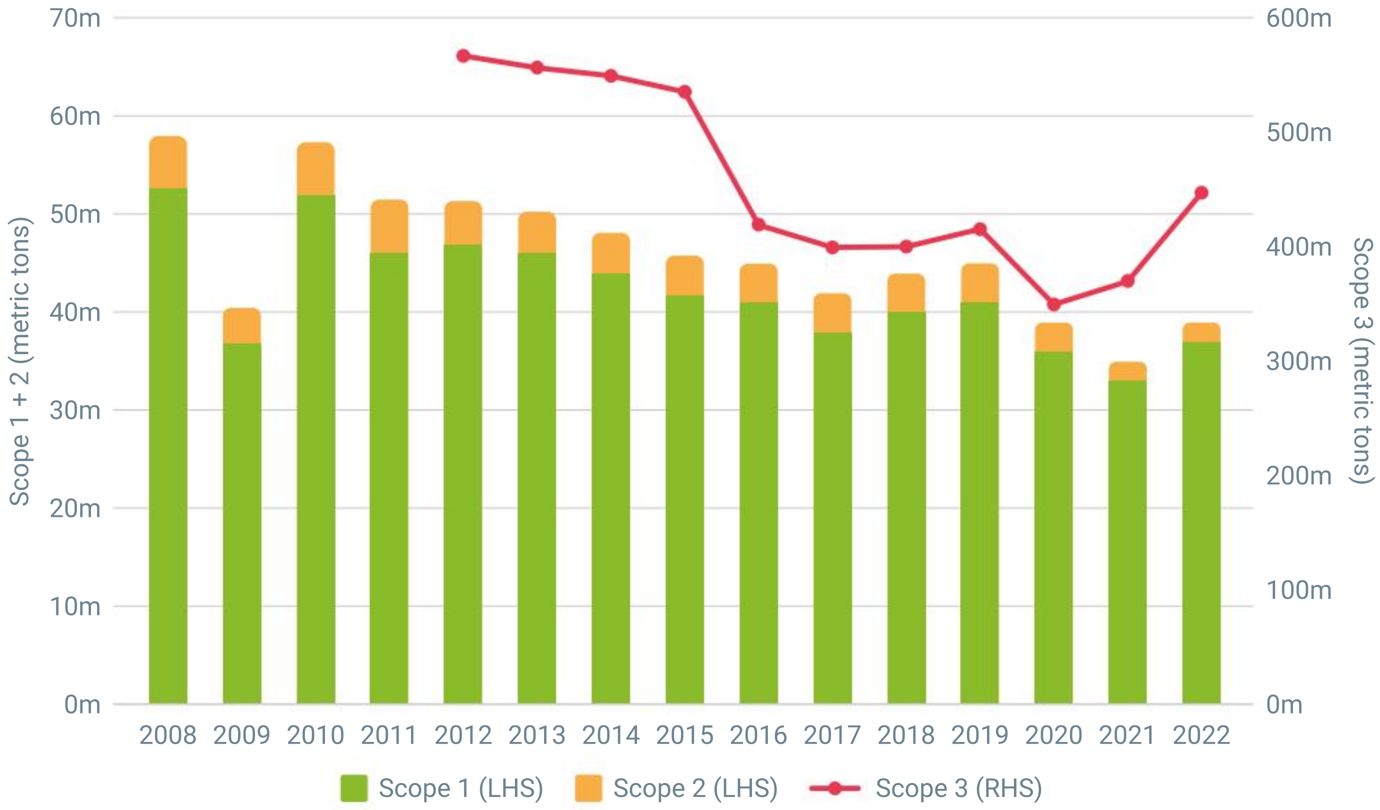
OUTCOME

We very much appreciate Shell's desire to have a meaningful and open dialogue with its shareholders, and it is clear that Shell is a sector leader in the climate transition. Overall emission reduction targets remain under discussion. We expect upcoming targets to likely focus on oil production. We also requested to provide feedback on the draft transition update in advance of the 2024 AGM.

TotalEnergies

COMPANY	GEOGRAPHY	SECTOR
TotalEnergies	Europe	Energy

EMISSIONS



COMPANY CONTEXT

TotalEnergies a French integrated energy/oil and gas company produces and markets fuels, natural gas and low-carbon electricity. It engages in the exploration and production of oil and gas, refining, petrochemicals and the distribution of energy in various forms to the end customer.

ENGAGEMENT RATIONALE

TotalEnergies is a material contributor to financed emissions, weighted average carbon intensity and the fossil fuel exposure of the LGIM Europe portfolio. The company accounts for 4.8% of financed emissions and 2.7% of weighted average carbon intensity within the this portfolio. The company has also not set an SBT.

ENGAGEMENT OBJECTIVES

- Achievement of the high-level CA100+ Net Zero Benchmark Objectives.

ENGAGEMENT STRATEGY

- Engagement by CA100+, with Hermes EOS as the co-lead.

Prepared By LGPS Central Limited.

TotalEnergies

COMPANY PROGRESS

TotalEnergies has implemented a target to reduce scope 1 and 2 emissions by 30% and 40% by 2025 and 2030 respectively, against a baseline of 2015, to support their ambition of net zero by 2050. From the data available to LGPS Central, the company has achieved a reduction of approximately 15% (from 2015 to 2022). This year, the company has also accelerated their target for scope 3 emissions reductions, bringing forward their target of a 30% reduction to 2025, from 2030, with a new target of a 40% reduction by 2030. While the company is not considered to be aligning/aligned to the Paris Agreement by LGPS Central, we do note an ITR below 2°C. We also note, the company invested $4 billion dollars into low-carbon energies during 2022, with the aim to increase this figure to $5 billion during 2023. In the coming years, investments in low-carbon energies will represent approximately 1/3 of investments. However, new oil and gas investments are expected to represent approximately 30%.

NEXT STEPS

- While emissions targets have been put in place, these targets do not focus on upstream business.
- Progress has been made through implementing short- and medium-term targets to support net zero emissions by 2050, but current targets are not aligned with a 1.5-degrees pathway.
- Monitor progress of TotalEnergies' carbon emissions reduction and escalate as necessary.

Glossary

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Scope 1 Emissions	tCO2e (Tons of CO2 equivalent)	These are the Greenhouse Gas (GHG) emissions that company is responsible for through its generation of energy.	The emissions generate through the company's direct operations, such as fuel combustion, company vehicles, etc.	These metrics must be considered together to gain a full understanding of a company's carbon profile. They do not consider a company's size and they do not capture the impact of the company's business model on the climate. Scope 3 emissions can also be counted multiple times by companies at different stages of the same supply chain.
Scope 2 Emissions	tCO2e	GHG emissions that a company causes indirectly through its operations via the consumption of purchased energy.	The emissions generated through the energy purchased by the company during its operations, such as energy consumption used to heat buildings.	
Scope 3 Emissions	tCO2e	All indirect GHG emissions resulting from the company's wider business practice.	Capturing emissions up and down the company's supply chain, including the emissions produced by customers' consumption of its products.	
Financed Emissions	tCO2e	This figure represents the amount of emissions attributed to the investor based on the proportion of the company that the investor owns.	Measures the absolute tonnes of (scope 1 and 2) CO_2 emissions for which an investor is responsible.	Limited usefulness for benchmarking and comparison to other portfolios due to the link to portfolio size (benchmarks are assumed to have equal AUM to the respective portfolio to overcome this challenge).
Normalised Financed Emissions	tCO2e/£m Invested	Financed Emissions are apportioned by the portfolio's AUM as to provide a measure of carbon intensity.	This measure converts the absolute measure of Financed Emissions into a relative measure of carbon intensity, creating greater ease when benchmarking and comparing to other portfolios.	This measure will complement Financed Emissions, as alone it cannot provide an absolute measure of portfolio emissions.
Weighted Average Carbon Intensity	tCO2e/$m revenue	Is calculated by working out the carbon intensity (Scope 1+2 emissions / $m revenue) for each portfolio company and calculating the weighted average by portfolio weight.	A proxy for carbon price risk. Were a global carbon price to be introduced in the form of a carbon tax, this would (ceteris paribus) be more financially detrimental to carbon intensive companies than to carbon efficient companies.	This metric includes scope 1 and 2 emissions but not scope 3 emissions. This means that for some companies the assessment of their carbon footprint could be considered an 'understatement'.

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Exposure to Fossil Fuel Reserves	%	The weight of a portfolio invested in companies that (i) own fossil fuel reserves (ii) thermal coal reserves (iii) utilities deriving more than 30% of their energy mix from coal power.	A higher exposure to fossil fuel reserves is an indicator of higher exposure to stranded asset risk.	It does not consider the amount of revenue a company generates from fossil fuel activities. Consequently, diversified businesses (e.g. those that own a range of underlying companies, one of which owns reserves) would be included when calculating this metric. In reality, these companies may not bear as much stranded asset risk as companies that do generate a high proportion of revenue from fossil fuels.
Exposure to Fossil Fuel Reserves by Revenue	%	This identifies the maximum percentage of revenue either reported or estimated derived from conventional oil and gas, unconventional oil and gas, as well as thermal coal. These values by companies are summed and weighted by the portfolio weights to produce a weighted exposure.	This has been included to overcome the limitations of the metric of Exposure to Fossil Fuel Reserves, which includes all companies which have any exposure regardless of how small.	This measurement uses maximised estimates where reported values are not available. Therefore, there is a potential to overestimate exposure.
Exposure to Clean Technology	%	The weight of a portfolio invested in companies whose products and services include clean technology (Alternative Energy, Energy Efficiency, Green Buildings, Pollution Prevention, and Sustainable Water). The final figure comes from the percentage of each company's revenue derived from clean technology.	Provides an assessment of climate-related opportunities so that an organisation can review its preparedness for anticipated shifts in demand.	While MSCI has been used for this report due to its wide range of listed companies and data points, there is no universal standard or definitive list of green revenues. This is due to the inherent difficulty in compiling a complete and exhaustive list of technologies relevant for a lower-carbon economy.

Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Exposure to Clean Technology by Revenue	%	This identifies the maximum percentage of revenue, either reported or estimated, derived from companies involved in clean technology (see above).	Allows for a comparison of company's exposure to clean technology, adjusted according to a proportion of that company's size.	This measurement uses maximised estimates where reported values are not available. Therefore, there is potential to overestimate exposure.
Engagement	%	Is calculated by the proportion of financed emissions which are under an engagement program either directly, in partnership and/or through stewardship provider.	This allows us to understand how much of the portfolio's financed emissions are under engagement programs.	This figure does not demonstrate the degree of progress made with the portfolio company as a result of the engagement. This will also include engagement on issues outside of environmental topics.
Data Quality	Numerical (1-5)	This metric is represented as a score between 1 and 5, with 1 representing the highest quality of reported emissions. A score of 1 would represent independently verified emissions data, whereas a higher score may represent estimated emissions based on sector averages.	Understanding data quality provides an insight into the accuracy of other climate metrics.	Simple quantification of the quality of data, does not provide in-depth understanding of data availability/reliability.
Low Carbon Transition	Numerical (1-10)	Low Carbon Transition scores are assigned from 1 to 10. For this metric the proportion of financed emissions associated with a portfolio with a manager score above 5 is aggregated.	This views how well a company manages risk and opportunities related to the low carbon transition. Apportioning by financed emissions places a greater weight on companies where emissions are more substantial.	While this considers the ability of a company's management to incorporate low carbon transition risks and opportunities, it is not an overall indicator of the company's low carbon transition performance.

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Carbon Risk Metric	Unit	Definition	Use Case	Limitations
Implied Temperature Rise (ITR)	%	This introduces the concept of a carbon budget, how much the world can emit such that global temperatures do not exceed 2 degrees Celsius. Implied temperature rise considers if the entire economy had the same over/undershoot of (scope 1, 2 and 3) their respective carbon budgets as the respective portfolio company, what would be the temperature rise during 2100 from preindustrial levels. The portfolio's Implied Temperature Rise aggregates the portion of financed emissions associated with portfolio companies with an Implied Temperature Rise of 2 degrees Celsius or less.	Implied temperature rise is an intuitive, forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals.	Implied temperature rise is heavily reliant on the model's parameters and assumptions.
Science-Based Targets	%	This is calculated as the proportion of financed emissions which are accounted for by a portfolio company with science-based climate target.	Provides an insight into the proportion of companies which have implemented science-based targets. Apportioning by financed emissions places a greater weight on companies where emissions are more substantial.	This metric only measures the proportion of companies with official science-based targets which have been verified by an independent body. A company with robust and ambitious targets which have not been verified may be omitted.
Paris Alignment	%	This metric is constructed in-house. A company is considered to be aligned if they have a Low Carbon Transition score greater than 5, as well as either an ITR of 2 degrees Celsius or lower, or a science-based target.	This figure is designed to provide an insight into the overall Paris alignment of the portfolio. Apportioning by financed emissions places a greater weight on companies where emissions are more substantial.	The limitations of the figure will be carried over from the limitations of the underlying metrics. There is currently no consensus opinion on what it means for a company to be aligned.

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