Responsible Investment Policy Annex on Climate Change

July 2026

LPPI *Together,* let's do more

Contents

1. Introduction

1.1 Definitions

Abbreviation (A-Z)	Definition
LPPI	Local Pensions Partnership Investments Ltd
ESG	Environmental, Social and Governance
TPI	Transition Pathway Initiative
GICS	Global Industry Classification Standard
TCFD	Task Force for Climate Related Financial Disclosures
FSB	Financial Stability Board
the Policy	Annex on Climate Change
IIGCC	The Institutional Investors Group on Climate Change
GRESB	Global Real Estate Sustainability Benchmark
AIFM	Alternative Investment Fund Manager

1.2 Summary of Relevant Regulations and Legislation

There is no relevant regulation or legislation expected to affect the policy.

1.3 Purpose

This annex to our Responsible Investment Policy explains our climate change beliefs and describes our approach to understanding and managing the risks and opportunities climate change presents for the portfolios we manage on behalf of clients. Specifically, it addresses our management and monitoring of climate change as an investment issue for the assets, funds, and investment pooling vehicles LPPI oversees. Climate change also exists as a business risk which could affect our employees, suppliers and internal systems, but the management and reporting of these fall outside the remit of this policy.

2. Policy standards and criteria

2.1 Our Climate Change Beliefs

Climate change poses a long-term financial risk to client portfolios. It has the potential to impact value across all the asset classes we invest in globally, but the route, scale and timing of this impact is both complex and uncertain.

Climate change is a systemic risk which arises from the physical effects of sustained changes in weather patterns due to global warming, and from human interventions to mitigate and manage these changes by adapting to new circumstances through regulation, technological innovation, or other cultural shifts otherwise termed transition risks.

Climate change will impact companies globally. It has the potential to destroy value where business risks are not being recognised and integrated into effective strategic planning but also presents opportunities for value creation where products and services can be developed which solve problems and meet societal needs.

The scope, dimensions, materiality and long-term significance of climate change as an investment issue merit specific attention as part of our Responsible Investment approach and the processes we develop to implement this in practice.

2.2 Our Climate Change Beliefs Translated into Practice

LPPI's Risk Policy incorporates a Climate Change Risk Policy which recognises that the physical, transition and liability (litigation) risks posed by climate change are inherent and could aggravate LPPIs existing risks through an adverse impact on LPPI financially, reputationally, or through investment performance. The approach and actions outlined in this annex explain how, in addressing climate change as an investment issue, we seek to protect the long-term financial interests of our clients.

On 1st April 2026, as an outcome of LGPS pooling consolidation under the UK government's Fit for the Future programme, LPPI commenced fiduciary management services for 6 additional LGPS Funds (partner funds). The transfer of these partner funds' existing portfolios into LPPI's pooled investment arrangements involves a process of transition and assimilation. Whilst this is underway, to the extent transitioning mandates do not already encompass equivalent approaches, minor variations in responsible investment practices may apply until mandates assimilate LPPI Responsible Investment Policy standards. This Policy articulates our substantive approach and guiding parameters both during and after the transition process.

Our ultimate objective is to be able to identify, quantify, measure, act, monitor and report to clients on our management of climate change risk on their behalf. In doing so, our aim is to improve corporate climate risk management and resilience, encourage supportive, coherent and practical policy and frameworks, take advantage of climate related opportunities in the market and ultimately contribute to real world emissions reduction. This is a significant undertaking with numerous challenges. Whilst data, tools, methodologies, regulation and best practice in this area are still evolving, there are consistent avenues for applying our expanding knowledge of climate change to our stewardship and exerting influence to effect change in investee companies and the wider market, namely:

i. Incorporation into the investment management products and services we provide to our clients

ii. Integration into our stewardship and asset management as part of our

   a. Direct dialogue with investee companies through our in-house investment teams

   b. Indirect dialogue with investee companies through the influence of our external investment managers and service providers

   c. Solo engagement through shareholder voting and board seats

   d. Collaborative engagement alongside like-minded investors through external initiatives e.g. Climate Action 100+ (CA100+), CDP

We provide insights into our use of these different channels below.

2. Policy standards and criteria *continued*

2.3 Our Net Zero Commitment

We support the aims of the Paris Agreement to limit the rise in global temperature to 1.5°C above pre-industrial levels. We have set the goal of achieving net zero portfolio emissions by 2050 in partnership with our client pension funds and are aligning our stewardship with this objective in our role as asset manager. In November 2021 we signed the Net Zero Asset Manager Commitment (NZAM) and follow the Net Zero Investment Framework 2.0 as an assistive guide. In 2026 we re-confirmed our signatory status to the revised NZAM Commitment applicable from January 2026. We published our first set of targets covering our Global Equities Fund in 2022 in line with the expectation on signatories to publish short- and medium-term targets within a year of signing the NZAM commitment. We have progressively phased in additional asset classes since, as part of our ambition to maximise coverage of our assets under management within scope of net zero target setting over time.

Climate change has long been a factor considered as part of our efforts to integrate ESG across the investment lifecycle and understand the sustainability of current and prospective investments. However, the decision to make a net zero commitment was a conscious choice to develop our processes further in order to better understand and manage portfolio climate change risks and opportunities. As a lens focused on the global decarbonisation needed to halt planetary warming, net zero provides a clear goal to aim towards in our management of climate risks and helps us set clear expectations of the path we expect our investee companies to follow.

Utilising and refining our influence through the channels listed above is the core focus of our efforts to achieve our net zero commitment. Our strategy involves the implementation of processes which embed this as part of asset selection, portfolio oversight and active stewardship.

Further detail on our net zero philosophy can be found in our Roadmap to Net Zero and targets within our TCFD reports available from our website.

2.4 Dedicated Products

We recognise that climate change will present opportunities for the for the assets, funds, and investment pooling vehicles we manage across different markets and asset classes. We invest in a wide range of companies some of whose products and services offer climate solutions, including renewable energy, battery storage technology and green bonds. We are committed to supporting our clients in meeting their climate goals and ambitions and have collaborated with them in developing products with mandates which specifically support positive environmental impacts. Relevant products are listed below:

The London Fund is a place-based collaboration between LPPI and London CIV which launched in 2018. The fund provides investors with access to investment opportunities in Greater London across real estate, infrastructure, and growth capital. The fund's investment objective is to target investments in this region which support positive social outcomes. These can include job creation, urban regeneration and positive environmental impacts.

LPPI's Environmental Opportunities Fund (EOF) was launched in 2025 to provide an avenue for clients to increase strategic asset allocation to climate and other environmental opportunities. The EOF provides exposure to the climate opportunity set by targeting themes of climate mitigation, adaptation and the protection, restoration and/or sustainable management of nature, encompassing biodiversity, ecosystems, water and marine resources. The fund is primarily focussed on the infrastructure, private equity including venture capital, and natural capital asset classes.

2. Policy standards and criteria *continued*

2.5 Investment Selection & Portfolio Monitoring

Our approach to asset selection (for internally managed assets) and to manager selection and monitoring (for assets managed by external managers) is built around detailed risk analysis and an up-to-date understanding of context as part of due diligence. This approach suits the complexity and multi-dimensional nature of climate change and the challenge it poses for strategy integration. Climate change is a core ESG factor considered as part of investment selection and decision making across our portfolio.

Our starting point is to ensure managers share our beliefs and have the capabilities to meet our requirements. In appointing third party managers, we routinely assess their approach to responsible investment and the integration of environmental, social and corporate governance factors. LPPI's External Manager Rating Framework incorporates a detailed Due Diligence Questionnaire which includes specific questions on assessing, monitoring and reporting on climate change. Questionnaire responses inform our detailed selection and appointment process. Further information on our approach to ESG integration and the tools and frameworks we have developed to embed this across our portfolio are covered in a dedicated Annex on ESG Integration.

Identifying the risks client portfolios face from climate change requires quantitative measurement along with qualitative interpretation. We are continually seeking data and tools to help us to assess the position of individual companies and inform our ongoing dialogue with managers around their own evaluation of the climate change risks their portfolios encompass. Our main focus to date is listed equities where information is most readily available, but learning gained here is informing the more challenging (and ongoing) task of assessing the position of wider asset classes. We are using Transition Pathway Initiative (TPI) and CA100+ methodologies alongside data from CDP and our data and analytics provider MSCI as part of our application of the NZAM framework to aid our assessment. MSCI data also supports our monitoring of the corporate fixed income portion of our Fixed Income Fund and Credit Fund and we are using GRESB data for our Real Estate Fund.

We are a long-term supporter and Strategic Asset Owner Partner to the TPI. The TPI toolkit is a publicly available resource which is refreshed and expanded annually and accessible to all managers and asset owners without the need to subscribe to a proprietary data system. Investee companies in High Impact sectors[1] with a score below TPI 3 for management quality (see the TPI Management Quality Stairway on the next page) are subject to internal monitoring, requiring a clear rationale for their selection and enhanced evidence of the assessment, management and mitigation of their exposure to climate-related risks. Investee companies outside of High Impact sectors that rank poorly in terms of MQ are still considered for possible engagement on a case by case basis as part of a holistic assessment of their decarbonisation and net zero alignment performance.

1 Definition of High Impact Sectors: Material Sectors are defined by NACE codes A-H and J-L and should be covered at a minimum by net zero objectives and targets. Certain Material Sectors are deemed high impact based on GHG emissions in their value chain. High Impact sectors are those within the company focus lists of Climate Action 100+ and TPI, plus banks, real estate, agriculture, forestry and fishing. Currently these sectors equate to: Agriculture, forestry & fishing, Airlines, Aluminium, Automobiles, Banking, Cement, Chemicals, Consumer goods & services, Coal & diversified mining, Electric utilities, Food producers, Industrials, Oil & gas (plus distribution), Paper, Real estate, Shipping, Steel, Transportation.

Transition Pathway Initiative (TPI) – Management Quality Stairway

Companies are assessed to one of 6 levels based on their position in relation to the recognition and management of transition risks. Standard questions are posed and are answered using publicly available data.

Level 0	Level 1	Level 2	Level 3	Level 4	Level 5 (BETA)
Unaware	Awareness	Building capacity	Integrating into operational decision making	Strategic assessment	Transition planning and implementation
MQ1. Company does not recognise climate change as a significant issue for the business	MQ2. Company recognises climate change as a relevant risk/opportunity for the business MQ3. Company has a policy (or equivalent) commitment to action on climate change	MQ4. Company has set GHG emission reduction targets MQ5. Company has published info. on its operational GHG emissions	MQ6. Company has nominated a board member/committee with explicit responsibility for oversight of the climate change policy MQ7. Company has set quantitative targets for reducing its GHG emissions MQ8. Company reports on its Scope 3 GHG emissions MQ9. Company has had its operational GHG emissions data verified MQ10. Company supports domestic & international efforts to mitigate climate change MQ11. Company has a process to manage climate-related risks MQ12. Company discloses materially important Scope 3 emissions	MQ13. Company has set long-term quantitative targets (>5 years) for reducing its GHG emissions MQ14. Company has incorporated climate change performance into executive remuneration MQ15. Company has incorporated climate change risks and opportunities in its strategy MQ16. Company undertakes climate scenario planning MQ17. Company discloses an internal carbon price MQ18. Company discloses the actions necessary to meet its emissions-reduction targets	MQ19. Company quantifies the key elements of its emissions-reduction strategy and the proportional impact of each action in achieving its targets MQ20. Company's transition plan clarifies the role that will be played by offsets and/or negative emissions technologies MQ21. Company commits to phasing out capital expenditure in carbon intensive assets or products MQ22. Company aligns future capital expenditures with its long-term decarbonisation goals and discloses how the alignment is determined MQ23. Company ensure consistency between its climate change policy and the positions taken by trade associations of which it is a member

2. Policy standards and criteria *continued*

2.6 Exclusions

We recognise that whilst all companies may ultimately be impacted by climate change, some sectors face greater risks due to their emissions intensity or involvement in traditional energy production based on fossil fuels which will need to be significantly curtailed to meet global emissions reduction targets. At a sectoral level, we have identified thermal coal extraction as a particular focus of risk. Coal is the most carbon intensive fossil fuel and the traditional energy source most likely to face declining demand in the face of rising renewable output at a reducing cost. As a consequence, we took the decision (in 2019) to cease investing in thermal coal extraction across our portfolio by progressively divesting existing holdings and placing an exclusion on further investments where the primary business is the production or mining of coal (see footnote below for full definition).[2] This approach is in line with protecting the long-term financial interests of all clients but presents challenges within private markets. For instance, pooled funds may lack the facility to allow investors to exclude specific sectors, reducing product choice. Where these challenges exist, (for example in fund of funds structures or when investing in the private equity secondary market) we focus on the risk we are seeking to manage and take a pragmatic approach to setting expectations for exclusion, exposure monitoring and reporting with General Partners. As noted, the transfer of portfolios into LPPI's pooled investment arrangements from 1st April 2026 involves assimilating RI standards. Where positions on thermal coal are divergent, we will review them in context.

Our guiding objective is to avoid new (future) exposure to thermal coal via exclusion whilst monitoring and managing existing exposures out of the portfolio over time where this is achievable without significant financial detriment.

Our net zero commitment tightened our focus on the obligations of asset ownership and the importance of deploying stewardship resources for greatest influence and prompted the decision to exclude extractive fossil fuel companies from our Global Equities Fund by the end of 2021.[3] All remaining extractive holdings were liquidated by 31 Dec 2021. This step acknowledged that the sector is not a natural match for the Fund's enduring quality bias and consumes stewardship resources disproportionate to the small exposure we might select to own long-term and the limited scope for shareholder influence this offers. Removing what has historically been a relatively small opportunity set for our Global Equities Fund has allowed attention to move to a broader range of sectors impacted by transition risk and required to decarbonise. We are considering our position on extractive fossil fuel companies within other funds and asset classes as part of our net zero strategy development, with recognition that all sectors need the support of investors to transition. Our approach will consider implementation routes for fulfilling our commitment to stewardship supportive of real-world decarbonisation which contributes to the acceleration of a market-wide transition aligned with the goals of the Paris Agreement.

Our side letters for new investments expressly communicate our net zero commitment and support for TCFD alongside any exclusions we have agreed. We also confirm reporting requirements for carbon intensive sectors and the expectation our investment partners will support us in monitoring and reporting on our climate change commitments.

2 Thermal coal extraction companies are defined as those within GICS 10102050 (Coal & Consumable Fuels) or an equivalent standard, meaning an investment or undertaking whose primary business is the production and mining of coal, related products and other consumable fuels related to the generation of energy but excludes companies whose primary business is metallurgical (coking) coal.

3 Extractive fossil fuel companies are defined as those whose primary business is involved in operations within the following extractive fossil fuel industries:
- GICS 10101010 (Oil & Gas Drilling)
- GICS 10102010 (Integrated Oil and Gas)
- GICS 10102020 (Oil and Gas Exploration and Production)

2.7 Active Ownership (Voting and Engagement)

Our commitment to encouraging good corporate governance through our ownership activities includes a specific focus on climate related issues for investee companies. Our objective is to understand the preparedness of investee companies for the transition to a low carbon economy, support companies which are managing the risks and opportunities on behalf of shareholders and challenge those which are not.

Our shareholder voting approach explicitly identifies all upcoming resolutions on environmental themes. In appropriate circumstances we will support resolutions which encourage companies to recognise, evaluate, adapt to and report on climate related business risks and opportunities, or which urge them to evolve their current approach where further development is warranted. This is in line with our Shareholder Voting Policy which recognises the responsibility of asset owners to monitor and engage with investee companies in order to protect value.

Our Shareholder Voting Guidelines provide further clarity on our decision making process and approach. The Guidelines identify effective management of climate change as a priority engagement theme and provide further details on the steps we take if we believe minimum standards, such as a company's TPI management quality score or alignment of targets and trajectories with the Paris Agreement, are not being met. Both the Shareholder Voting Policy and Guidelines can be found on our website.

We have developed an approach based on the NZAM initiative to assess the degree of alignment of companies with a 1.5C trajectory, using the categories of Not Committed, Committed, Aligning, Aligned and Net Zero (please see LPPI's TCFD Entity Report on our website for further details on LPPI's Net Zero Alignment Framework for the Global Equities Fund). We utilise data on greenhouse gas emissions, short- medium- and long-term targets, decarbonisation strategies and capital allocation plans to understand the position of different sectors and companies and evaluate the position of our Global Equities Fund relative to the goals of the Paris Agreement. Our net zero targets encapsulate ambition to see more of our portfolio companies progress along this continuum and become categorised as Aligned and Net Zero. Where not assessed as Aligned or Net Zero, an increasing proportion will be subject to direct or collective engagement and stewardship.

As part of our engagement approach, LPPI is networked with a range of organisations working on climate related agendas. These include the PRI, TPI and CA100+. Our interactions with these groups inform our thinking and provide opportunities to support collective initiatives which encourage companies to address climate change related business risks and report transparently on their efforts.

We support the recommendations of the ISSB's (formerly FSB's) Taskforce on Climate Related Financial Disclosure which identified that inadequate corporate reporting creates significant information gaps which prevent investors from evaluating the quality of climate change governance by investee companies. We encourage investee companies to develop their reporting in line with the disclosures outlined by the TCFD.

We also recognise that TCFD recommendations on enhanced reporting extend to investors and Asset Managers. As part of the evolution of our approach to climate change we reported for the first time against the TCFD disclosure requirements in 2019 on a voluntary basis and made our first set of regulatory disclosures in 2024. We will continue to strengthen our alignment with the TCFD and related regulations going forward.

To ensure the continuing effectiveness of our approach to addressing climate change as part of our commitment to Responsible Investment our Stewardship Committee will review this annex to our Responsible Investment Policy on an annual basis and will update it to reflect changes in approach and further progress.

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