Oxfordshire Pension Fund
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# Oxfordshire County Council Pension Fund TCFD Report
# Year Ending 31/12/25

**August 2026**

# Oxfordshire County Council Pension Fund Taskforce on Climate-related Financial Disclosures Report for year ending 31/12/2025

## Introduction

This is the Oxfordshire Pension Fund's (the Fund) sixth report under the Taskforce on Climate-related Financial Disclosures (TCFD) framework. As well as reporting against the TCFD recommendations the report is intended to review the progress made against the Fund's Climate Change Policy and Implementation Plan which were agreed in June 2020.

When the current Climate Change policy was adopted by the Oxfordshire Pension Fund in 2020 one of the key principles it was based upon was that there would be robust government action, including regulation, to tackle temperature rises caused by the burning of fossil fuels.

Unfortunately, the government action required has not materialised to the extent needed. This situation has been exacerbated by the actions of the current US administration, which has rolled back initiatives to tackle climate change and sought to accelerate the extraction of US fossil fuels.

Based on IPCC scenario analysis and current policy assessments the highest probability range for the change in global temperatures by 2100 is in the 2.5°C - 3°C range. To put this into context we already seeing significant negative impacts such as droughts, increased deaths from heatwaves and highly destructive wildfires across the globe at temperatures which are in the range of 1.2°C – 1.5°C above pre-industrial levels.

In March 2023 the Intergovernmental Panel on Climate Change (IPCC) published the synthesis report from its Sixth Assessment Cycle. The report made for sombre reading covering the inadequacy of emissions cuts, more severe climate impacts than expected from current warming, and the future risks from every fraction of a degree of warming. The report also highlights the need for a dramatic increase in capital that is directed towards climate mitigation and adaptation.

The United Nations Environment Programme's 2025 Emissions Gap Report continues to show how far off-target the world currently is from meeting a commitment of keeping global temperature rise to below 1.5°C. According to the report cuts in GHG emissions of 55% by 2035 are required to get back on track for 1.5°C. National policies currently in place point to a 2.6-3.1°C temperature rise over the course of this century, well above the 1.5°C target identified in the Paris Agreement.

Although a 2.6-3.1°C temperature rise would almost certainly have a very negative impact on long-term investment returns, as well as on society and the environment more generally, it is also true to say that we are seeing a 'bending' of emissions and implied temperature curves. The temperature trajectory would be 4.1-4.8°C without any climate policies, and 3.6-4.8°C with 2007-2013 climate policies.[1] At

[1] https://climateactiontracker.org/global/emissions-pathways/

the current rates of change we are moving in the right direction, but that change is not happening quickly enough to ensure that temperature rises are kept below 1.5°C.

There is still a feasible pathway to net zero by 2050. However, the window for necessary action is rapidly closing and further delays risk irreversible changes to the climate system and its associated impacts on wider human society and the environment. We are already experiencing these negative impacts in the form of combined heatwaves and drought here in Western Europe that is putting a significant strain on agriculture, serious wildfires in France, Spain and Greece that have led to loss of life and severe economic damage, record marine heatwaves that are a threat to ocean ecosystems and numerous other signals that we live in a dangerously warming world.

The increased risk of temperature changes being above 2°C means that the Pension Fund needs to develop its plans for adapting to a hotter world with a less stable climate. We are now working with our pooling partner to understand better how the companies we invest in are preparing to adapt to climate change, for example through engaging with companies exposed to the physical risks of climate change such as extreme heat and water stress. As a universal owner we are likely to be increasing our focus on how we can adapt our investment portfolios to the realities of climate change.

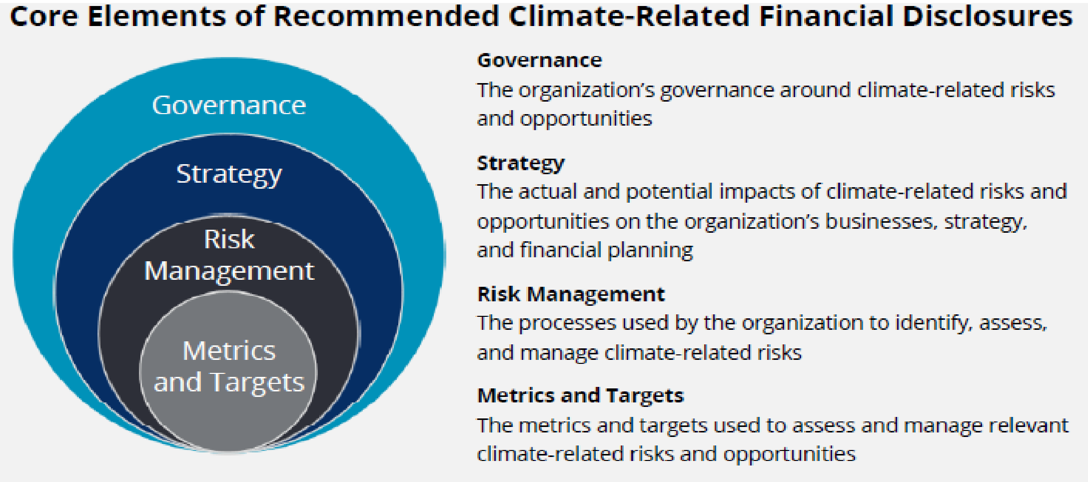
## TCFD and the ISSB standards

The TCFD was established in 2017 to develop recommendations for more effective climate-related disclosures by companies, banks, asset managers, asset owners and insurance companies. This could then promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks.

In July 2023 the Financial Stability Board (FSB) announced that the work of the Task Force on Climate-related Financial Disclosures (TCFD) has been completed, with the ISSB Standards marking the 'culmination of the work of the TCFD'. Having fulfilled its remit, TCFD disbanded in October 2023.

### Recommended Disclosures:

The four core elements of the recommended disclosures are detailed in the diagram below.



*(Recommendations of the Task Force on Climate-related Financial Disclosures, 2017)*

The TCFD recommendations on climate-related financial disclosures are intended to be widely adoptable and applicable to organisations across sectors and jurisdictions.

Whilst this implementation plan for the adoption of climate related reporting and disclosure is on-going following the phased introduction of legislation to UK Listed companies and Occupational Pension Schemes in 2021, there is currently no statutory requirement for Funds within the Local Government Pension Scheme (LGPS) to report under this framework. Although it is not a legal requirement for LGPS funds to produce an annual TCFD report it is seen as good governance and best practice for organisations to demonstrate how they are managing climate-related financial risks, including annual climate risk reports and climate scenario analysis incorporating a Paris-aligned (1.5-2°C) scenario.

## Governance

**Describe the board's oversight of climate-related risks and opportunities.**

The Fund's governance arrangements are set out in its Governance Policy Statement. All functions relating to the management of the Pension Fund have been delegated by Oxfordshire County Council to the Pension Fund Committee. As such, the Committee are responsible for the Fund's long-term strategy.

The Pension Fund Committee are responsible for signing off on the Fund's Responsible Investment Policy which, alongside the Climate Change policy, outlines the Fund's approach to managing climate change related risks and opportunities.

The risk register is owned by the Pension Committee and includes a risk specifically related to climate change. The risk register is reviewed quarterly at Pension Committee meetings. The Fund has an Independent Investment Adviser who provides investment advice, including on investment strategy, this includes the integration of climate change related risk assessment into the investment approach of the Fund.

Climate change is considered in the budget-setting process for training requirements, any climate related consultancy deemed beneficial, and climate related reporting requirements.

In June 2020 the Pension Fund Committee agreed a Climate Change Policy and Climate Change Policy Implementation Plan. Progress against the Policy and Implementation Plan is to be reported to Committee quarterly with a more detailed annual review.

Following agreement of the Policy, a Climate Change and Responsible Investment Working Group was formed, which currently comprises of Committee members, Local Pension Board members, Fund officers, the Fund's Independent Investment Adviser, a scheme member representative, and a member of the Fossil Free Oxfordshire campaign group. The Working Group aims to meet quarterly to review and discuss the Fund's approach to climate change mitigation and adaptation.

As required by LGPS regulations, the Pension Fund operates a Local Pension Board which meets on a quarterly basis. The Board's role is to ensure the efficient and effective governance and administration of the Fund, including compliance with relevant regulations and legislation that apply to the Fund.

During the one-year period covered by this report up to 31/12/2025 the Fund, was a partner of the Brunel Pension Partnership. Under new pooling arrangements rolled out under the government's Fit for the Future Local Government Pension Scheme reforms Brunel was closed down in 2026, with the Fund required to find a new pooling partner.

From April 2026 the Fund's new pooling partner will be LGPS Central (Central). Under this arrangement the Fund will delegate all investment implementation to Central while maintaining responsibility for high level asset allocation decisions and setting our Responsible Investment beliefs and commitments, including the Fund's approach to climate change.

Going forwards climate-related risks and opportunities will form a key part of the reporting received from Central on their portfolios and activities.  Central has a dedicated responsible investment team, including a dedicated Net Zero Manager role.

As the pooling asset manager in place during the period covered by this report, Brunel had a focus on five principal areas, as shown in the chart below: Policy Advocacy; Product Governance; Portfolio Management; Persuasion; and Positive Impact.


Prior to its 2026 shutdown Brunel regularly published its own plans and performance in this area – going beyond regulatory requirements. Brunel's annual RI & Stewardship Outcomes Report considered performance in meeting Brunel's responsible investment goals – including on climate change; their annual Carbon Metrics Report showed the exposure of all its active holdings; and the TCFD Climate Action Plan reported on Brunel's progress around climate metrics and targets.

Going forwards the Oxfordshire Fund will be working with its new pooling partner Central to deliver against our climate commitments. This will include relying on their mandatory TCFD compliant disclosures to provide the data we need in order to have oversight of the risks and opportunities related to climate change. These disclosures include an entity level climate report and product level reports for fixed income and listed equity portfolios.

**Describe management's role in assessing and managing climate-related risks and opportunities.**

Day-to-day management of the implementation of the Fund's Climate Change Policy is delegated to management through the Executive Director for Resources and Section 151 Officer, and they are required to report progress to the Pension Fund Committee quarterly. Management receives an annual carbon metrics report from the Fund's pooling partner, which informs its reporting to Committee.

Officers engage with the pooling partner and other fund managers on climate issues and receive and consider responsible investment reporting, including climate related, that is included in fund managers' quarterly reports. The Fund has officer representatives on the pooling partner's Responsible Investment Sub-Group, and the Cross-Pool Responsible Investment Group where developments around climate issues are regularly discussed (e.g. metrics developments, engagement activities and results).

The Fund has a Responsible Investment Officer post. A priority area for this role is monitoring and reporting to key stakeholders on the Fund's climate-related risks and how these are being managed.

Management is responsible for developing and operating a training plan for Committee members and Officers to ensure appropriate skills and knowledge, including in relation to climate.

## Strategy

**Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.**

The Pension Fund has liabilities that stretch decades into the future and so primarily takes a long-term view to investment decisions. Given the diversity and global nature of the Fund's investments, almost all climate-related risks and opportunities are relevant to the Fund. While some of the climate-related risks/opportunities apply to the Fund across its investments as a whole, others are specific to certain sectors or geographies and fund managers are required to consider the materiality of these.

The most significant long-term risk is the systemic risk across financial markets, including social and other factors, associated with climate change that could arise if actions are not taken to adhere to the Paris Agreement. Examples of this type of systemic risk include unmanaged mass migration or the collapse of food production systems, both of which would have a hugely negative impact upon financial markets. Setting a target of a net zero Paris Agreement alignment by 2050 is a commitment by the Fund to help to manage and mitigate that systemic risk, with a view to being able to meet the Fund's liabilities in the future.

In terms of more specific and short/medium-term risks - stranded assets, physical risks (e.g. property/assets), sovereign debt where countries are dependent on fossil fuel linked revenue, policy risk (e.g. carbon pricing), technology risk (obsolescence), social and economic disruption as the result of a transition away from a fossil fuel-based economy and changes in consumer behavior are all factors that can affect the Fund's investments. There is also a risk that the Fund develops its investment strategy around achievement of the Paris goals but the goals are not achieved, meaning the Fund's investment strategy is misaligned with the reality of the actual climate path.

The Fund has identified climate-related opportunities including the ability to reduce portfolio risk by identifying and taking action on assets at risk under Paris aligned scenarios and the potential to identify outperformance opportunities by investing in those companies whose business models/strategies are best aligned with meeting Paris Agreement scenarios. Additionally, investment opportunities exist in assets linked to the implementation of the Paris Agreement. For example, the

Global Sustainable Equities (GSE) portfolio differs from our other active equity portfolios in its approach to climate opportunities in that the portfolio has a specific objective to invest in companies pursuing transition-related opportunities.

**Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.**

Climate change is considered in the development of the Fund's [Investment Strategy Statement,](#) which includes the Fund's Strategic Asset Allocation (SAA). After each funding valuation undertaken by the actuary the Fund completes a fundamental review of its asset allocation which will include consideration of climate related risks and opportunities. The Fund uses diversification to manage investment risks but given the systemic nature of climate risks this approach has limits to its effectiveness under more extreme scenarios.

The Fund's Climate Change Policy states that where there are two investment options that broadly aim to deliver the same investment objective, the Pension Fund will prioritise the option that delivers the best fit to its climate change commitment. For example, the Fund rebalanced its listed equity portfolios in 2024, moving investments out of the UK and Emerging market portfolios and into the Global Sustainable Equity portfolio.

Climate related risks and opportunities are considered when setting the Pension Fund's Business Plan and these also inform discussions with the Fund's pooling partner around portfolio offerings and construction. In 2025 the Fund tendered for an asset manager to provide an affordable housing fund where one of the key criteria used to assess the various funds was the extent to which the manager had set stringent environmental targets for the assets in the portfolio. The asset manager appointed has a target that all new housing developments it invests into should be to the highest EPC A standard.

What is informing the Fund's forward planning and strategy is that an approach of portfolio decarbonisation has not really aligned with where we see the biggest risks to the scheme. Looking forwards there is a good case for the Fund placing greater emphasis on policy advocacy and on the role investors can play in encouraging the right policy environment to manage long term climate-related risks and opportunities. Related to this change of focus the Fund will be looking for opportunities to invest into those companies that are actively delivering the energy transition. These opportunities are likely to be in private markets, rather than listed equity.

The Pension Fund has made a commitment to achieve net-zero emissions on its own operations by 2030.

**Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

The Fund is committed through its Climate Change Policy to staying abreast of the latest scientific developments in respect of climate change to ensure that the Policy remains appropriate in its aim to align with the Paris Agreement.

Under a scenario where additional cuts in emissions are required to meet the Paris Agreement, and there was a global commitment to achieve this, the Fund would anticipate amending its target for emissions reductions across its investments accordingly and making any necessary changes to its asset allocation targets and/or investment portfolios.

Under a scenario where the Paris Agreement goals were to be missed the Fund would consider making changes to its investments that align with this reality, this would likely include both mitigating and adapting to the physical risks that would be associated with such a scenario. The Fund would also review whether there are changes the Fund could make, for example in engagement activity or policy advocacy, that could help correct the pathway back towards a Paris aligned one.

The draft government guidance by the Ministry of Housing, Communities and Local Government (MHCLG) on TCFD implementation proposes to place a new duty on LGPS Administering Authorities (AAs) to assess their assets, liabilities, investment strategy and funding strategy against climate risks and opportunities in at least two climate scenarios. This assessment must include at least one scenario based on a global temperature rise of 2°C or lower compared to pre-industrial levels. This assessment must occur at least once every valuation cycle. In interim years, AAs must consider whether any changes in the fund have been substantial enough to require scenario analysis to be repeated.

There has been controversy over the application of scenario analysis to the potential impacts of climate change. Some mainstream approaches have been criticized for potentially underplaying the impact of climate change on long term investment returns. For this reason, the Fund has taken a cautious approach to using scenario analysis in previous reports given the limitations of quantitative scenario planning of this type as a tool for assessing what impact climate change may have on our investment portfolios.

Such scenario analysis is in its infancy, and investors are evolving how they embed the analysis into their processes. The focus for the pool partner is on providing decision-useful information for the pool's partner funds, and scenario analysis is only one way in which this goal can be achieved. Scenarios are a useful tool for portfolio managers to engage in dialogue and to ask the right questions about holdings; they are not a tool to use in isolation though. Their value lies in providing a forward view of what a portfolio might look like under various different future contexts, enabling investors to have a better understanding of the risk profile of those portfolios. These analyses should not be used in isolation to make specific investment decisions.

Brunel's 2025 scenario analysis utilises market-standard scenarios including:

- NGFS scenarios (Orderly Net-Zero; Disorderly Net-Zero; Too Little Too Late; Hot House World) for Transition Risk analytics for in-scope investments. The Network for Greening the Financial System (NGFS) was established in 2017 by central banks and supervisors with the aim to promote best practices and enhance the role of the financial system to manage risk and mobilise capital for a low-carbon economy
- IPCC SSP - Shared Socioeconomic Pathways (SSPs) are climate change scenarios of projected socioeconomic global changes up to 2100 as defined by the International Panel on Climate Change. The 5 SSPs cover a range of economic pathways from a low carbon/low temperature change Sustainability

pathway all the way to a high carbon/high temperature change Fossil-fueled Development scenario.

This scenario analysis approach is based around using different scenarios to analyse companies' exposure to physical risk from climate change, to assess portfolio alignment with the Paris Agreement and to understand the extent of potential earnings at risk from carbon pricing

**Physical risk**

*What is it?*
The Physical Risk methodology assesses the potential impact of climate change on a company's physical assets. Companies exposed to extreme weather events and the physical impacts of climate change will likely see increasingly significant financial costs over the coming decades. Physical risks stemming from climate change can manifest as persistent due to long-term alterations in climate patterns or acutely through specific events such as floods or storms. Supply chain disruptions, operational interruptions and asset damage are all examples of risk implications from physical risk.

*How will we use the information?*
To pinpoint the assets most vulnerable to climate hazards, using point in time assessments of exposure to climate hazards. The financial implications of these physical risks are assessed by contrasting changes in climate hazard exposure against a location-specific baseline for each asset. This approach allows an investor to concentrate on the financial materiality of climate hazard exposures for distinct asset categories.

**Paris Alignment**

*What is it?*
The Paris Alignment metric describes the climate transition pathway or trajectory each company is expected to align to, to keep warming below 2°C, based on historic emissions trends and company targets. The methodology assesses the decarbonisation rates of individual companies in comparison to the targets set by the Paris Agreement. This enables the Fund to track its listed portfolios and benchmarks against the goal of limiting global warming to less than 2°C above pre-industrial levels.

*How will we use the information?*
To combine the rates to get an aggregate portfolio picture and evaluate the overall Paris alignment of each portfolio, with it's likely temperature pathway.

**Transition Risk / Earnings at Risk**

*What is it?*
The Carbon Earnings-at-Risk metric gauges the potential financial consequences of carbon pricing at a company or portfolio level, across various possible future scenarios. It helps separate the specific risks related to carbon pricing from broader carbon-related risks, such as the physical impacts of climate change or the risk of assets becoming stranded. A direct impact on a company's operations of rising carbon prices is likely to be seen where regulations impose a higher price for

greenhouse gas emissions. Companies may be vulnerable to pass-through costs of rising carbon prices as suppliers try and recover their own additional regulatory costs.

*How will we use the information?*
The S&P Earnings at Risk framework provides insight into the implications of future carbon pricing policies for a company using its present-day financials and emissions. It allows us to quantify a company's potential exposure to carbon price increases associated with Scope 1 and 2 emissions for holdings from 2025 to 2050.

The table below gives a very high level view of scenario analysis for each portfolio covered in the climate metrics report. For Physical risk and Earnings at risk the analysis shows the likely negative impact on portfolio value under two different climate scenarios, one of medium heat increase and one of high heat increase. Although the impact is significant it is worth noting that the impact would be worse for the benchmark portfolios.

**Scenario analysis highlights**

| Portfolio | Paris alignment pathway | Physical Risk negative impact by 2050 | Earnings at risk negative impact by 2050 |
|---|---|---|---|
| **Global High Alpha** | Aligned to <1.5C | Medium 4% High 5% | Medium 3.4% High 4.4% |
| **Global Sustainable** | Aligned to 2-3C | Medium 3.6% High 4.5% | Medium 7.2% High 9.2% |
| **UK equity** | Aligned to <1.5C | Medium 3.1% High 3.8% | Medium 4.7% High 6.2% |
| **Sterling Corp Bonds** | Aligned to <1.5C | Medium 3.2% High 3.8% | Medium 5.9% High 7.7% |
| **PAB Global passive** | Aligned to <1.5C | Medium 4% High 4.9% | Medium 3.6% High 4.7% |

As mentioned previously, it is worth treating the Paris alignment pathway scenario analysis with caution. The Global Sustainable portfolio is shown to be on a hotter pathway than the other portfolios, this is in part driven by the number of harder to abate manufacturing companies in the portfolio as there is a tilt towards investing into those companies providing products and services that will drive the energy transition.

Given the current global rate of emissions it is unlikely that it will be possible to hold global temperatures below 1.5C, so it is also unlikely that the other portfolios will be on a lower than 1.5C pathway. What the scenario analysis shows is that the companies in those <1.5C Paris alignment pathway portfolios have been able to reduce their carbon emissions and their carbon intensity in the short term.

For the Physical risk scenarios the biggest risk factors were from water stress and extreme heat, with heat being the most likely to lead to company financial losses.

## <u>Risk Management</u>

**TCFD Recommended Disclosure – a. Describe the organization's processes for identifying and assessing climate-related risks.**

Climate change is included in the Fund's risk register, which considers the potential impact and likelihood of the risk and then assigns a score. The risk register is reviewed on a quarterly basis and reported to Committee at each meeting. Officers consider regulatory, scientific and political developments on climate change, in particular those from recognised international bodies such as the IIGCC, International Energy Agency, and the UN Environmental Programme.

The Fund meets regularly with its pooling partner and discusses climate issues including any identified from the narrative reporting or climate metrics provided by the partner. Officers also carry out regular checks on the Fund's investment portfolios to identify any holdings that might represent a heightened climate-related risk. The Fund's pooling partner will in turn meet with their appointed fund managers who also have a responsibility to consider climate related risks and opportunities.

Climate-related risks are often identified through the pooling partner's Responsible Investment and Investment teams, and information regarding the risks and impacts is then bought to the relevant Investment Risk Committee (IRC). In this forum the standard climate metrics are considered alongside any additional information provided and the materiality of the risk is determined, along with recommended courses of action. Where this relates to a new risk, the emerging risk process is applied. The Responsible Investment sub-group at the pooling partner provides an additional forum to discuss climate related risks.

***Case Study – Top 10 GHG emitters report***

*In 2025 across all the Brunel listed equity portfolios the top 10 GHG emitting companies accounted for more than 40% of portfolio Scope 1 and 2 emissions. The remaining 2000+companies were responsible for less than 60% of Scope 1 and 2 emissions. Given the significant GHG emission footprint of these top 10 companies they represent some of the largest risks within our investment portfolios. In response to requests from Oxfordshire and other client funds Brunel developed an annual bespoke report for each client fund identifying their top 10 emitters, providing background information on each company and the latest state of play on engagement with the company by Brunel, Brunel's engagement advisor EOS Hermes and by the individual asset managers.*

*The Top 10 report enables the fund to identify key risks and to understand the materiality of those risks based on each company's business model and the status of the latest engagements with the company around climate-related risks. It is a key tool for identifying risk and understanding how that risk is being managed.*

***Top 10 Emitters as at 31/12/2025***

| ***Rank*** | ***Company Name*** | ***Sector*** | ***Portfolio emissions % (Scope 1 & 2)*** |
|---|---|---|---|
| 1 | Waste Management | Environmental & Facilities | 6.8% |
| 2 | Shell | Integrated Oil & Gas | 6.2% |
| 3 | WestRock Company | Paper & Plastic Packaging | 5.2% |
| 4 | Glencore | Diversified Metals & Mining | 4.8% |
| 5 | Mondi | Paper Products | 3.8% |
| 6 | NextEra Energy | Electric Utilities | 3.5% |
| 7 | L'Air Liquide | Industrial Gases | 3.3% |
| 8 | BP | Integrated Oil & Gas | 3.3% |
| 9 | Delta Air Lines | Passenger Airlines | 3.1% |
| 10 | CRH | Construction Materials | 2.6% |

*The companies in the Top 10 list are from a variety of sectors. It is no surprise to see Oil & Gas, Mining, Utilities and Airlines in the Top 10 but it is interesting that the highest emitter is an Environmental Services company that specialises in recycling. This demonstrates that a simple read of high emissions as being only negative misses some of the nuances of how the economy will need to transition. Anther case in point is NextEra Energy, which has very high emissions due to running a number of coal power stations but has ambitious plans and is allocating capital to phase out fossil fuel generation and replace it with renewables.*

**Describe the organization's processes for managing climate-related risks.**

The Fund is responsible for asset allocation decisions and sets its asset allocation targets to be consistent with the Fund's Climate Change Policy. Where the Fund identifies investment needs that are not currently deliverable from the pooling partner's portfolios there is a process for the creation of new portfolios that can meet that need.

The key approach by which the Fund's risk is managed is through diversification of investment into a variety of asset classes. Within this strategy there is also embedded an approach of integrating climate change risk management into the investment process. However, climate change represents a potential risk to the finance system as a whole, which means that even a universal owner such as the Fund is unable to diversify away all climate-related financial risk. This means that stewardship activity by the Fund and its asset managers is a key risk control.

Voting and engagement form an important part of the Fund's management of climate-related risks. Engagement on behalf of the Pension Fund primarily takes place through the Fund's pooling partner, their appointed fund managers, and their engagement provider. This is in accordance with the approach set out in the pooling partner's Climate Change Policy, which the Fund inputs into. Voting is undertaken on behalf of the Fund by the pooling partner, utilising the expertise of their voting and engagement provider and appointed managers.

Brunel's approach to voting escalation was for an initial vote against the reappointment of a company Chair to escalate to other board members where they have not met their climate disclosure expectations. These expectations increased over time. For example, Brunel had a target for all companies held in their portfolios to achieve a Transition Pathway Initiative score of 4 or higher and having made meaningful progress to alignment with a 2°C or lower pathway.

***Case Study – Shareholder resolution at Shell***

*Shell has consistently been one of the top contributors to the Oxfordshire Pension Fund's carbon footprint, and as with all companies involved in fossil fuels, can attract criticism. It is the company that the Fund has raised the most concerns about with Brunel, and there is a strong focus by both Committee and officers on ensuring that the company is being held to account to manage the significant risks that its business model entails.*

*At the end of 2024, Brunel co-filed a resolution on the compatibility of Shell's Liquid Natural Gas (LNG) strategy and its climate commitments, along with the Australian Centre for Corporate Responsibility, and other LGPS funds. This resolution received over 20% support at the company's 2025 AGM.*

*The strong shareholder support combined with a series of questions over its transition plan at the AGM prompted the company to seriously consider the asks in the resolution and initiate consultation with their shareholders. Shell has committed to publish additional information on their LNG strategy to respond to concerns, which has been welcomed by the shareholders.*

*Brunel also learnt that the resolution asks resonated with several other investors prompting robust conversations between the company and their shareholders even where their final vote differed.*

The Fund works with its pooling partner to develop portfolios that are aligned with the Paris Agreement to be net zero by 2050. This is a key requirement that will be built into any portfolio construction request.

The Fund believes that in some areas, particularly around public policy engagement, it is beneficial for the Fund to act with like-minded investors. As such, the Fund is a member of investor groups whose aims are aligned with those of the Fund in respect of climate change including Climate Action 100+, Institutional Investors Group on Climate Change and the Local Authority Pension Fund Forum.

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

Climate change is included on the Fund's risk register, which is a standing item at the quarterly Committee meetings. Climate change is a key topic included as part of the Committee training plan to ensure the appropriate skills and knowledge for those making decisions.

In appointing third parties, such as the Fund's Independent Investment Adviser, the Fund will set out requirements around responsible investment issues such as climate change as appropriate. Climate change is also considered by the Fund's actuaries when undertaking their funding valuation.

In 2024 the Fund published its first responsible investment policy, which highlights the key sustainability-related risks to the Fund, including climate change. These priority areas were identified through an analysis using the World Economic Forum Global Risks report, alongside an assessment of the key sectoral risks for those sectors the Fund has the greatest exposure to.

Climate change is identified as one of the high priority risks in the policy, but other related-risks were also identified, including deforestation and just transition risks. For example, as the impacts from climate change have become more material the Fund has been moving beyond activity to mitigate climate change, such as reducing the carbon intensity of its investments, and starting to look at adaptation to climate physical risk as a strategy to manage risk.

**Case Study: Climate Physical risk engagement programme**
For the last two years the Fund has taken part in a programme of direct engagements with portfolio companies in the food and drink sectors that are exposed to heightened climate-related physical risk through the location of their assets and supply chains.

This programme moved forward in 2025 with a series of face-to-face meetings with companies. Officers from Oxfordshire took part in engagement calls with; Constellation Brands, a beer and wine company; McCormick, a spices company; and food and drink retailer Marks and Spencer. These engagements also included representatives from the Brunel responsible investment team and were supported by Chronos Sustainability, a consultancy specialising in delivering complex sustainability-related multi-stakeholder programmes.

The engagements covered a wide area, including the extent to which company assets are exposed to extreme heat and water stress and how that is being managed, and tracking exposure to biodiversity risks through company supply chains. Further meetings will be taking place in 2026, with the programme now jointly being run by the Local Pension Partnership Investments (LPPI) and LGPS Central.

We work with our pooling partner to identify the areas of greatest risk and agree resource allocations in response to those assessments. This allocation strategy helps the Fund to mitigate and manage those risks. A key tool for this process is the annual Climate Metrics report provided by our pooling partner for the Fund's portfolios. This provides a useful snapshot of performance and risk in relation to the Fund's Net Zero targets at both an aggregated overall Fund level and individual portfolio level.

## Metrics and Targets

**Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**

Metrics reported in this section are from the Fund's 2025 Carbon Metrics Report. The report includes listed equity and the Sterling Corporate Bond portfolio, covering around 60% of the Fund's overall investment portfolio. The Fund is working with its pooling partner to improve reporting across other asset classes, including private markets, so that the level of coverage can be increased.

We seek to manage climate risk in each and every portfolio, as well as our own operations, but we are not in a position to quantitatively measure and report progress in all these areas. We prioritise the disclosure metrics for our listed equities and corporate bonds, as this represents the highest proportion of the Fund's assets under management (AUM) and there is more available data and disclosure for these asset classes.

It is recommended that this report is not read in isolation. It should be considered alongside the Oxfordshire Pension Fund Carbon Metrics Report which is designed to provide detailed metrics and information regarding individual Listed Markets portfolios and the Sterling Bond portfolio.

By their nature most of the performance metrics are backward looking. This is useful for tracking progress over time in managing climate risks but less useful for understanding future risks and opportunities. The carbon metrics report also includes some forward-looking scenario analysis to help understand what might happen in the future, and the extent to which our current portfolios are exposed to future risk.

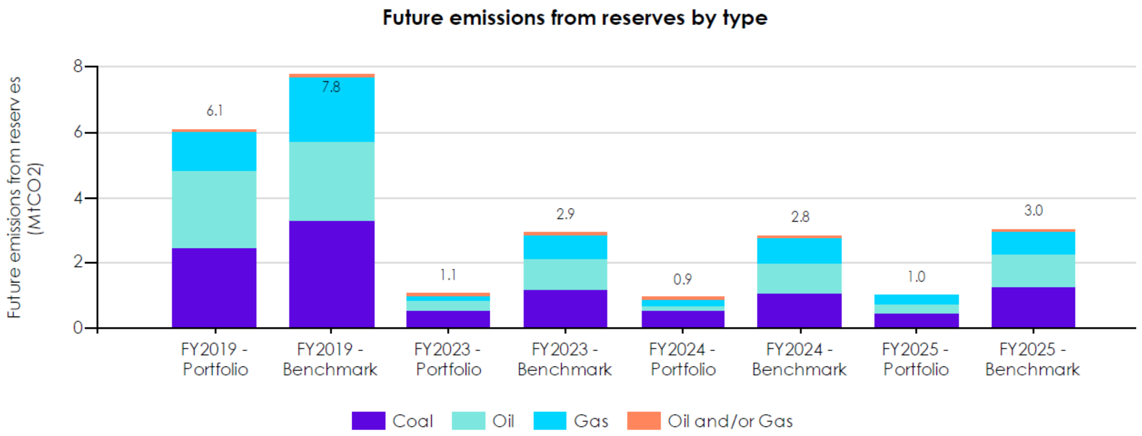
There is a broader debate amongst investors around the relative benefits of backward-looking metrics versus forward looking scenario analysis. Although backward-looking metrics are very useful for measuring progress and transparency it is perhaps the forward looking scenario analysis which is more decision-useful when it comes to making investment choices that deliver real world change.

The Fund currently uses the following metrics to assess climate related risks and opportunities at both an aggregate and listed portfolio level:

- Weighted Average Carbon Intensity (WACI)
- Absolute Carbon Footprint by Scope
- Carbon to Value Intensity
- Fossil Fuel Revenue Exposure
- Fossil Fuel Reserves Exposure
- Future Emissions from Reserves
- Disclosure Levels (Scope 1 and 2 Emissions)
- Green revenues

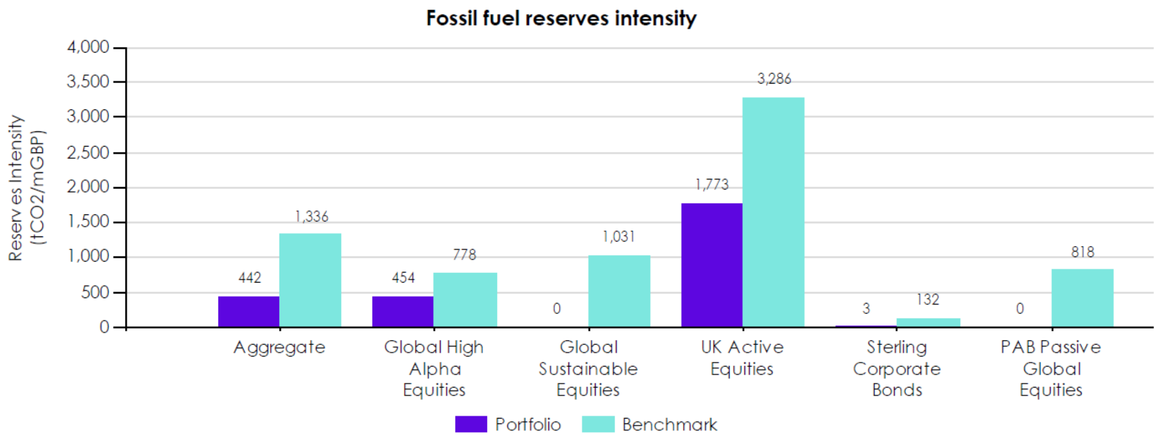
Fossil fuel reserves exposure and future emissions from reserves are useful insights into potential downstream scope 3 emissions and can be used as an indicator of potential stranded asset risks.

The bar chart below shows fossil fuel reserves exposure for the Fund annually from 2019-2025.




The chart shows that there has been a steep decline in potential future emissions from reserves for the Fund's aggregate portfolio from the baseline year of 2019, going from 6 megatonnes of CO2 down to 1 megatonne in 2025. This 2025 figure is around a third of the potential future emissions of the 2025 benchmark portfolio.

Below is a chart that shows fossil fuel reserves intensity of the aggregate portfolio and the underlying portfolios. The reserves intensity highlights the risk of stranded assets across different portfolios, expressed on a basis of per GBP 1 million invested.



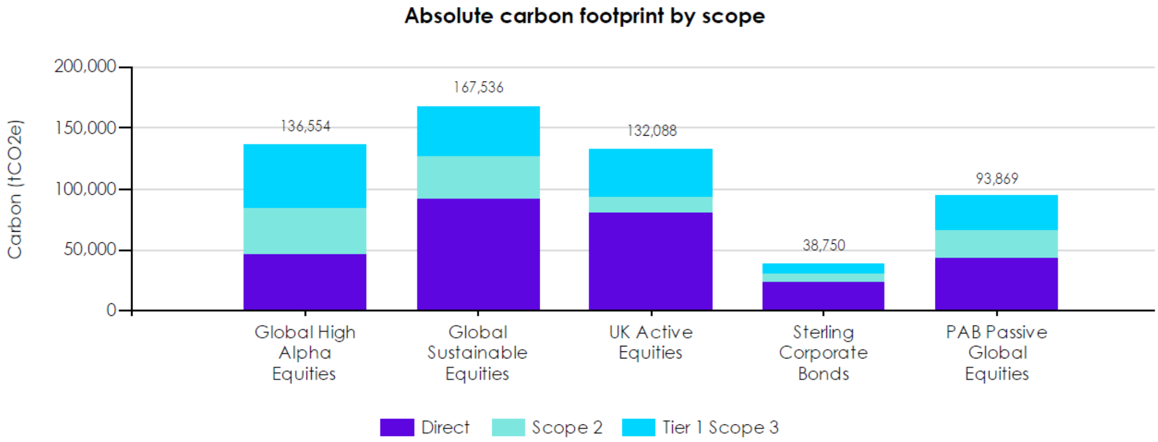

As the above chart shows, the UK active equities portfolio has a significantly higher fossil fuel reserves intensity than any of the other portfolios. The Fund is currently working with its pooling partner to construct an alternative UK portfolio which has a greater focus on small and medium-sized companies, rather than the global FTSE 100 that make up the current UK portfolio. This new portfolio would likely have a significantly lower fossil fuel reserve intensity as it would probably not include the oil and gas supermajors that are in the current portfolio.

Whilst the Fund does not have a specific fossil fuel reserves exposure reduction target, it does support seeking to reduce exposure over time, in line with our commitment to be net zero by 2050.

**Disclosure of Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.**

The Pension Fund’s Carbon Metrics report discloses scope 1, 2 and upstream first tier scope 3 emissions for all listed equity portfolios and the Fund’s Sterling Corporate Bond Portfolio.

The graph below provides a snapshot of the Absolute Carbon Footprint by Scope of the Fund at an individual portfolio level as at 31/12/2025.

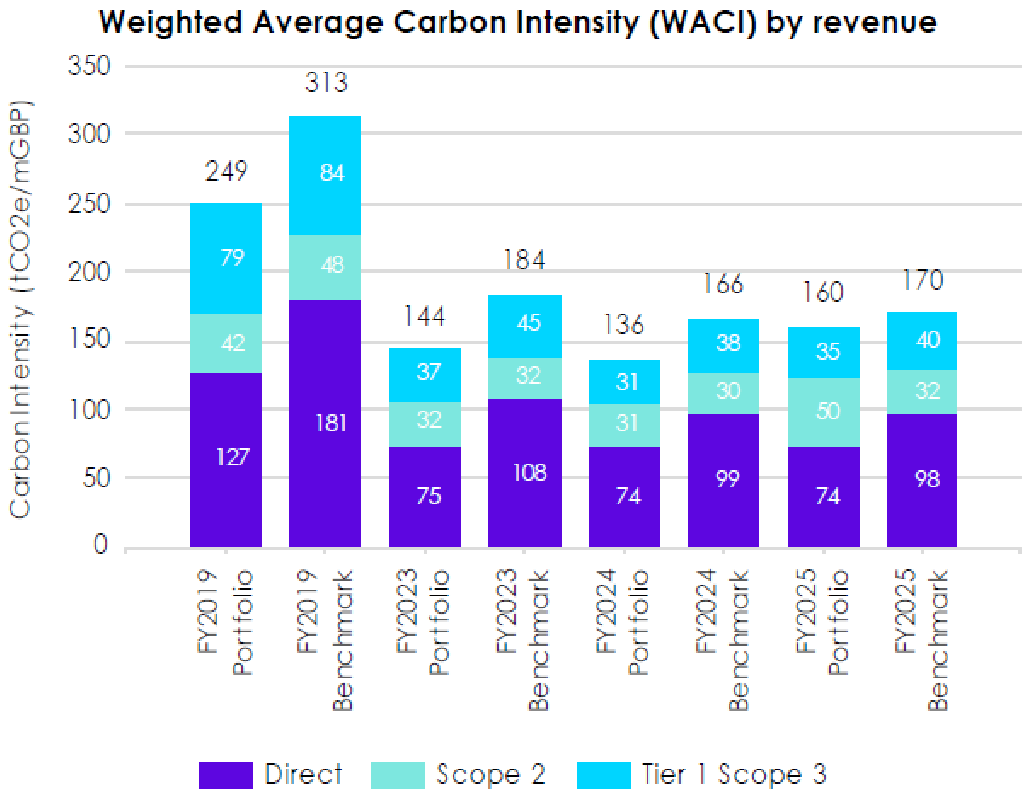



**Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.**

The Fund has an annual reduction target for GHG emissions across its investment portfolios of 7.6%.

The metric that has been identified in the Climate Change policy to track progress against this target is the Weighted Average Carbon Intensity (WACI) by revenue figure. This metric takes the carbon intensity (total carbon emissions divided by total revenue) of each investee and multiplies it by its weight in the portfolio.

According to the most recent Climate Metrics report from Brunel the WACI by revenue of the Oxfordshire Aggregate Portfolio is around 5% lower than its Strategic Benchmark




The overall WACI by revenue figure for 2025 actually saw an increase of around 17.5% compared to the 2024 level. This means the overall level of reduction from 2019 is around 35%, which means we are on target for an annualized rate of reduction of around 5.8% since 2019.

This is below the 7.5% annual reduction target but there are specific factors at play which demonstrate why relying on a single metric such as WACI by revenue is not optimal when assessing a portfolio's climate impact.

Much of the increase in the WACI figure between 2024 and 2025 is driven by a single company Joby Aviation. The way that WACI is calculated is based on carbon emissions per unit of revenue. Joby Aviation is an investment in the Global Sustainable Equities portfolio, it makes very low emission electric aircraft but it is an early stage company that currently has small revenues. By any measure this is the type of company that the Fund should in investing into if it is to invest into the energy transition, however the combination of being a manufacturer that currently has low revenues means that it made the portfolio WACI value 17% worse than the previous year, despite only representing 0.1% of the portfolio value.

**Green revenues**

One area that is important to track to understand if the Fund is making progress towards its net zero target is to calculate its investments into companies delivering the green products and services driving the transition to a low carbon economy. FTSE Russell have assessed a number of Brunel's portfolios for their exposure to green revenues vs their benchmark.

The FTSE methodology categorises goods and services into three tiers. Tier 1 is clear and significant impact such as solar panels, waste management and recyclable products, Tier 2 is net positive impact such as flood controls and smart city design, whilst Tier 3 is limited impact such as nuclear and biofuels. The figures below are based on Tier 1 and 2 only.

| Portfolio | Tier 1 & 2 Green revenues | Benchmark green revenues |
|---|---|---|
| Active Global High Alpha Equity | 10.8% | 8.5% |
| Active UK Equity | 4.9% | 4.1% |
| Passive World Developed Equity PAB Index | 17.5% | 8.5% |
| Active Global Sustainable Equity | 19.1% | 9.1% |
| Sterling Corporate Bonds | 4.3% | 6.4% |

As the table shows, all of the portfolios apart from the Sterling Corporate Bonds are ahead of their benchmarks, with the Passive World Developed PAB Index and the Active Global Sustainable Equity portfolios showing significant outperformance.

## Climate Change Policy Implementation Plan Progress

The Fund's Climate Change policy has an accompanying Implementation plan. Below is an account of how key areas of that plan are progressing.

### Emissions Reduction Target

As noted above the Fund's Climate Change Policy Implementation Plan set a target to reduce greenhouse gas emissions intensity by 7.5% per annum. This was set to be consistent with the Fund's Policy commitment to be aligned to the 1.5°C temperature goal of the Paris Agreement with limited or no overshoot.

The Fund recognises that there are a range of different metrics to assess emissions related to investment portfolios, all of which have their own merits and drawbacks. At present the Fund is reporting on WACI (as recommended by TCFD) as this can be used across all listed portfolios, irrespective of allocations and therefore can be decision-useful in assessing the relative carbon emission efficiency (per million pounds) of portfolios when attributing the impacts of strategic asset allocation decisions.

However, as the example of Joby Aviation demonstrates, WACI has limitations when being used to assess progress against the Fund's emissions reduction target. Principally WACI is an efficiency measure and so while efficiency may improve this does not mean actual emissions are necessarily reducing. For example, the Fund's investment in the Global Sustainable Equities portfolio can have a short-term negative impact on WACI performance as the managers in the portfolio are actively targeting investments in companies who are at the forefront of the energy and industrial transition to net zero. In the long run these investments should help bring down global emissions.

These are leaders in challenging and difficult-to-abate sectors. These sectors inevitably have a higher carbon intensity today than companies in most other sectors, whose own transition journey is dependent on such companies. For example, one such company in the portfolio is Waste Management Inc, a waste and environmental services company operating in the US. The company is one of the largest contributors to the overall carbon intensity of our portfolio but it is also an energy transition solutions company, with key business activities including renewable energy and recycling.

An additional issue across all metrics is the use of scope 3 emissions where data quality and double counting factors make its use challenging. At present the Fund's WACI data includes Scope 1, Scope 2, and first tier Scope 3 emissions (upstream emissions).

It is important that the Fund continues to work with its pooling partner to monitor and develop metrics such as fossil fuel reserves exposure, overall carbon emissions and green revenue exposure to be able to give a more granular and rounded assessment of progress towards its net zero target, as well as developing more forward looking metrics.

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### *Climate innovation in passive funds*

In 2023 the Pension Fund Committee made a decision to move the Fund's full passive holdings of c.£530m to the Paris Aligned Benchmark fund, putting it among the first group of investors to invest in the index. The Paris Aligned Benchmark has strict climate criteria and effectively excludes fossil fuel companies from the index. There is also a tilt towards companies delivering green revenues.

This shift of the Fund's passive portfolio into a Paris Aligned Benchmark helped drive significant decarbonization of the Fund's portfolio. However, the conversation on how passive funds can be aligned with the Paris Agreement to be net zero by 2050 has moved on in recent years. Looking forwards, the Fund will engage with its new pooling partner LGPS Central to develop passive investment products that can help deliver real world carbon reduction as well as portfolio decarbonization alongside risk adjusted financial returns.

### *Private market investment into the energy transition*

In 2024 the Oxfordshire Fund joined five other Brunel client funds to invest into a climate solutions portfolio which will see more than £300m invested into renewable technologies such as solar and battery storage in the funds' local areas.

Oxfordshire joined Avon, Cornwall, Devon, Gloucestershire and Wiltshire to invest through the Wessex Gardens Fund managed by Schroders Greencoat. The first investment involved acquiring a stake in the Toucan energy portfolio, investing £230m in the deal to acquire local solar assets. This is part of the largest operational solar deal ever transacted in the UK. Since that initial investment there have been follow-on investments into a solar farm in Ducklington and a battery project in Yarnton.

### *Investing into climate mitigation and adaptation*

There is increasing recognition that nature and biodiversity are closely interlinked with climate change. Whilst climate change is undeniably having a negative impact upon nature and biodiversity it is also true that protecting and enhancing the natural world can be both a mitigation and an adaptation strategy for addressing climate change.

The Fund's Responsible Investment policy recognises this by prioritising action on nature and biodiversity. Two of the key areas where the Fund looks to deliver on these commitments are through the reduction of exposure to tropical deforestation in the Fund's portfolios and through direct investments into natural capital.

There are significant opportunities around natural capital as an asset class, for example through investing into sustainable forestry or regenerative agriculture. The Fund's 2026 Strategic Asset Allocation (SAA) includes an allocation of 3% of the Fund's value to investing into natural capital. The Fund will be working with its new pooling partner LGPS Central to develop a natural capital portfolio in 2026/27.

*Climate collaboration*

The Fund continues to be a member of The Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ and the Local Authority Pension Fund Forum. These groups are active in engaging with investors and companies to try and mitigate the impact of climate change by driving company behaviour change towards alignment with a net zero pathway.

In April 2025 the Fund become signatories to the Asset Owner Statement on Climate Stewardship. This statement was issued by the Brunel Pension Partnership, the People's Pension, and Scottish Widows to articulate asset owner expectations on the implementation of climate stewardship by their asset managers.

The statement outlines key principles for asset managers, including engaging in industry and public policy discussions, prioritizing collaborative initiatives, developing a robust theory of change for company engagement, implementing a systematic voting approach, and adequately resourcing the stewardship function.

***As well as addressing the Pension Fund's investments the Policy also sets a target for the Pension Fund to be carbon neutral on its own operations by 2030.***

The Fund continues to work within Oxfordshire County Council's wider goal to achieve net zero emissions by 2030 across the whole organization, of which the Pension Fund is part. The Fund intends to report data on this and actions taken in future updates.