



# Climate Action

Managing Climate Risk for our  
Financial Investments

Covering reporting year ending 31 March 2025

# Contents

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# Foreword



**Dame Susan Langley**  
Rt Hon the Lady Mayor of the City of London



**Chris Hayward**  
Policy Chairman, City of London Corporation

The City of London owes much of its global prominence to finance. For centuries, City expertise and services have enabled the movement of capital across the world – allocating resources to its highest growth sectors and regions, and producing prosperity along the way. Today, in our Square Mile, this legacy endures, renewed by London’s ongoing leadership in financial and professional services, and its endless capacity to innovate and adapt.

However, as well as promoting prosperity, finance has without a doubt contributed to climate change, and the steady rise in global emissions. But more than lamenting this fact, the City of London Corporation is determined to turn this story around. Convening the financial and professional services sector, we are determined to demonstrate that finance can be a force for good – an indispensable vehicle to spur the green transition and realise a sustainable future.

The task of addressing climate change is an urgent one – and action must be both swift and decisive. The science is clear: if we are to limit global warming to 1.5°C above pre-industrial levels, we must achieve net zero by 2050 at the latest. Beyond this threshold, climate risks become systemic, and, crucially, irreversible.

As the convening power of the UK’s financial and professional services sector, the City of London Corporation has a duty to act – for both moral and fiduciary reasons. Supporting the transition to net zero is, in fact, a fundamental risk management strategy – important not only to protect our environment, but to guard commercial returns, ensuring that investments are future-proofed and sustainable in the longer term.

Our work on climate has a dual emphasis, reflecting the City Corporation’s unique character and remit – as both a local and global player.

Through our Climate Action Strategy, we’ve committed to achieve net zero across all City Corporation activities (including our supply chain and investments) by 2040 – a decade ahead of the UK’s national target. And beyond our own footprint, we leverage our global convening power to drive public-private collaboration and unlock transition finance opportunities, via **the Global City**.

Financial investment emissions represent the largest source of the City Corporation’s carbon footprint – and while they pose a significant risk to the future value of our investments, they also present an opportunity for real action.

Working closely with our Investment Managers, we are engaged to both support positive action and challenge the industry, where progress remains too slow.

As the transition to a net-zero economy accelerates, we are committed to proactively identifying and managing transition-related risks: to strengthen portfolio resilience and safeguard long-term value.

And so, we are delighted to publish this report – the City Corporation’s third on managing climate risk for our financial investments. Moreover, we look forward to publishing further biennial climate risk disclosures in the future.

# Introduction

The City of London Corporation is the governing body of the Square Mile, dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK. We have long been champions of sustainability, including addressing climate risks, being one of the first local government bodies to develop a Climate Change Adaptation Strategy in 2010.

As an asset owner, we support the objective of the Paris Agreement to keep global warming well below 2°C and preferably 1.5°C above pre-industrial levels, the level considered safe by the Intergovernmental Panel on Climate Change (IPCC).

Driven by climate science and the imperative to manage climate risk, we launched our ambitious Climate Action Strategy in 2020, with a vision to create a sustainable, responsible, and competitive City. The Strategy sets clear commitments for both reducing our impact and adapting to a changing climate: achieving net zero for our own operations by 2027 as a stepping stone to reaching net zero in our full value chain (including financial investments and supply chain) by 2040; support the achievement of net zero for the Square Mile by 2040; and build climate resilience into buildings, public spaces and infrastructure to safeguard The City for the future.

We have made this commitment because leadership on climate action is critical, and our fiduciary duty demands it.

Financial investments are our largest source of our carbon emissions. Climate change poses a clear and significant threat to their future value, both from physical and transition risks. That is why we are prioritising action to address this challenge as part of our Climate Action Strategy, with current interim targets of a 24% emissions reduction by 2025 (achieved) and 55% by 2030, before aligning with our net zero goal in 2040. We continue to monitor our interim targets to ensure our goals are reflective of industry best practice and real-world progress.

This report covers all the City Corporation's financial investments. These include our local government pension fund (with the London CIV as the asset pool operator for London LGPS (Local Government Pension Scheme) funds), our endowment fund know as City's Estate (formerly City's Cash), those of our historic endowment – City Bridge Foundation (Charity Registration No. 1035628) (previously known as Bridge House Estates), and two small charitable funds – Hampstead Heath Trust and the Charities Pool, for which the City Corporation acts as a trustee.

## To achieve our financial investment climate targets, we are:

- 1 Engaging proactively with investment managers to achieve our interim, and net-zero, targets.
- 2 Applying our Climate Escalation process consistently with investment managers to strengthen accountability and drive meaningful progress.
- 3 Looking to adopt investment strategies that integrate climate solutions and low / negative-carbon assets, that offer competitive risk and return characteristics.

The remainder of this report aligns with the four pillars of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations covering Governance, Strategy, Risk Management, and Metrics & Targets.

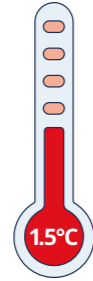


# Our Investments in Context

## Our climate commitments – financial investments

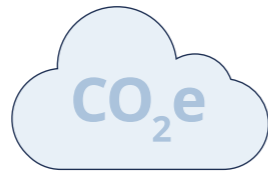
**1.5°C**

Support Paris Agreement goal to limit global temperature increase to 1.5 °C above pre-industrial levels



**24%**

reduction in absolute emissions (tonnes CO<sub>2</sub>e) by 2025 – achieved



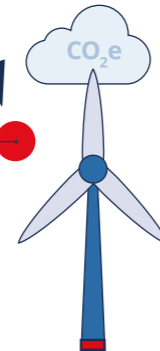
**55%**

reduction in absolute emissions (tonnes CO<sub>2</sub>e) by 2030



**2040**

Net zero absolute emissions (tonnes CO<sub>2</sub>e) by 2040

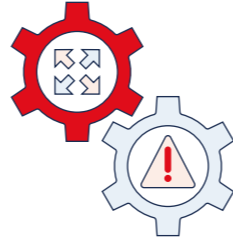


## Our approach



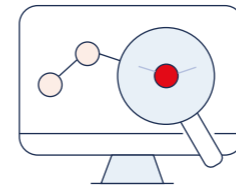
### Engage

As long-term investors with significant mandates, we believe that focused engagement is our greatest leverage in terms of driving climate action.



### Integrate

Integrate an assessment of climate and measurable societal and environmental impacts risk into upcoming asset reallocation.



### Monitor

Monitor investment managers' emissions through regular climate data requests.



### Improve

Continue to improve the quality of emissions data, in line with latest methodologies and industry best practice.

## Our position at the 31 March 2025 – Scope 1 and 2 Emissions



**204,863**

Investments responsible for **204,863 tonnes CO<sub>2</sub>e**



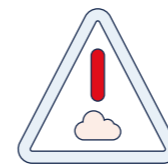
**5**

Investment portfolios have been analysed against **4** future climate scenarios



**126.4 t**

Weighted Average Carbon Intensity (WACI): **126.4 tonnes CO<sub>2</sub>e /£m Sales**



**3.4%**

Estimated **3.4%** of investments exposed to stranded asset risk



**23.3%**

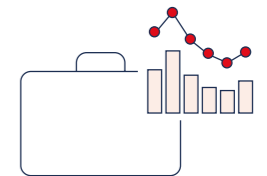
Holdings in our equity portfolios have Science Based Target Initiative (SBTi) Verified net zero commitments in place

## Our Investments



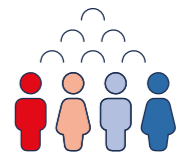
**£3.2bn+**

Assets under management



**5**

Investment portfolios have been analysed against **4** future climate scenarios



**22**

Investment managers

# Governance



## 1a&1b. Governance

The Court of Common Council is the City Corporation’s primary decision-making body. The Policy & Resources Committee is responsible for governance, strategic priorities, agreeing policy, and allocating resources - other than for City Bridge Foundation (CBF). This committee, and the CBF Board, are accountable for the Climate Action Strategy. Twice yearly updates are provided to them on Climate Action progress.

Other committees key to managing climate risk in financial investments receive reports quarterly. The Pensions Committee is responsible for the strategic oversight and monitoring of the performance of the Pension Fund financial investments; the Investment Committee for those of City’s Estate’s; and the Investment Committee of CBF has responsibility for CBF’s funds.

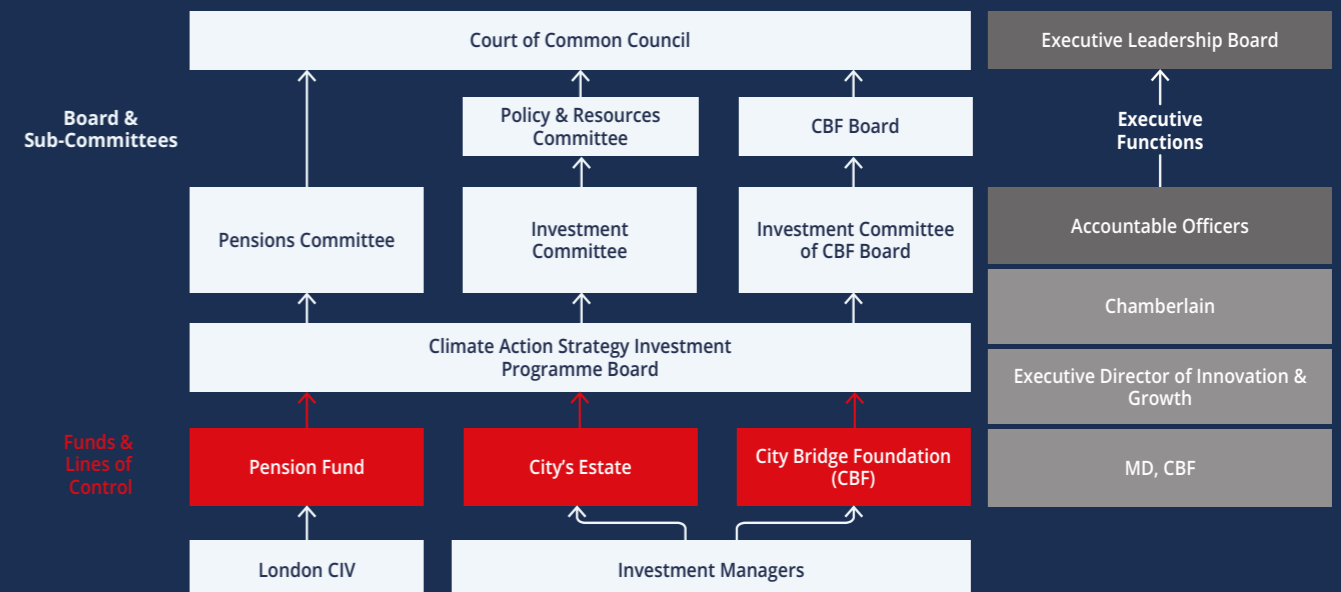
An officer-level governance group provides oversight of risks to financial investments through the Climate Action Strategy Investment Programme Board. This board

comprises the Climate Action Strategy Senior Responsible Officer (SRO) and senior representatives from Chamberlain’s . Resource allocation is a joint responsibility of the Finance and Policy & Resources Committees who are responsible for City’s Estate, City Fund and other funds held by the City

Corporation with the exception of the City Bridge Foundation (CBF) funds. The named Committees and the Board ensure that climate risk is integrated into the medium- and long-term financial plans, which drive the return requirements for investments.



Governance and oversight of climate-related financial risk





### 1 Pensions Committee (PC)

The Pensions Committee (PC) is responsible for the financial investments of the City Corporation's Pension Fund which is part of the national Local Government Pension Scheme (LGPS). Following the release of the 'LPGS (England and Wales): Fit for Future Consultation' and draft Pensions Schemes Bill, the pooling of assets is now mandatory. All LGPS listed and unlisted assets are expected to be under management of the Pool by 31 March 2026.

### 2 Investment Committee (IC)

The Investment Committee (IC) is responsible for the financial investments of City's Estate (an endowment used to finance activities mainly for the benefit of London as a whole but also of relevance nationwide), the Hampstead Heath Trust Fund (Charity Reg. No 803392-1), and the City of London Charities Pool (Charity Reg No. 1021138).<sup>1</sup>

### 3 City Bridge Foundation Board (CBFB)

The City Bridge Foundation Board (CBFB) is responsible for the investments of the City Bridge Foundation, a historic endowed charity. The City Corporation is the sole trustee to CBF, and the Court of Common Council is responsible for CBF's investment strategy. Investments are managed by the Investment Committee of the CBFB in a way which is most beneficial to its charitable objectives and most likely to support its overall vision. In 2025/26 CBF will be undergoing a strategic asset reallocation, with the aim of integrating impact considerations associated with measurable societal and environmental impacts.

These Committees and Board are responsible for ensuring the integration of climate risk into strategic asset allocation, portfolio construction, implementation, and overall investment decision-making. They have established climate-related beliefs and an overarching approach to managing the risk that climate change poses to our financial investments. These are expressed in detail in the City Corporation's Responsible Investment Policy; the Investor Statement on Climate Change; and the City Corporation's previous report 'Managing Climate Risk for our Financial Investments-2023'.

In summary, the Committees and Board believe that:

- The risks associated with climate change can have a materially detrimental impact on the portfolios' investment returns within the timeframe they are concerned about i.e. long-term
- Climate-related factors may create investment opportunities. Where possible, and where appropriately aligned with strategic investment objectives, the City Corporation will seek to capture such opportunities through its investment portfolio.
- Where appropriate, they consider transition and physical risks separately.

The City Corporation's exposure to climate risk and ability to control these risks stem from our investment managers. In the case of the Pension Fund, there is an asset pooling regime, and the Pension Fund is a shareholder of, and investor in, the London LGPS CIV Limited (Co. reg No. 9136445) (London CIV (LCIV)). All Pension Fund investments are to be under the management of the LCIV by 31 March 2026. For all other funds, investment managers are appointed directly, based on advice from investment consultants.



<sup>1</sup> This excludes directly held property for City's Estate and City Bridge Foundation.

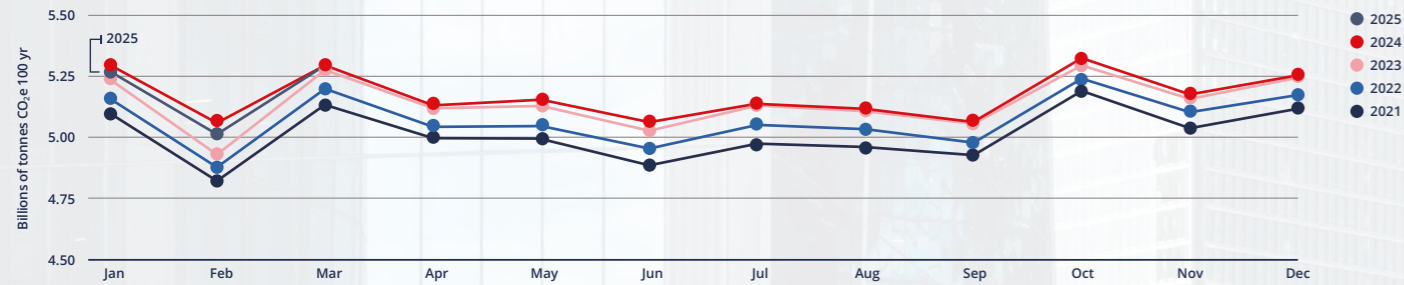
# Strategy

The final instalment of the International Panel on Climate Change's (IPCC) Sixth Assessment Report (AR6) was released in March 2023, with the next report, AR7, due to be released by late 2029. The report's findings indicate more than a 50% chance that global temperature rise

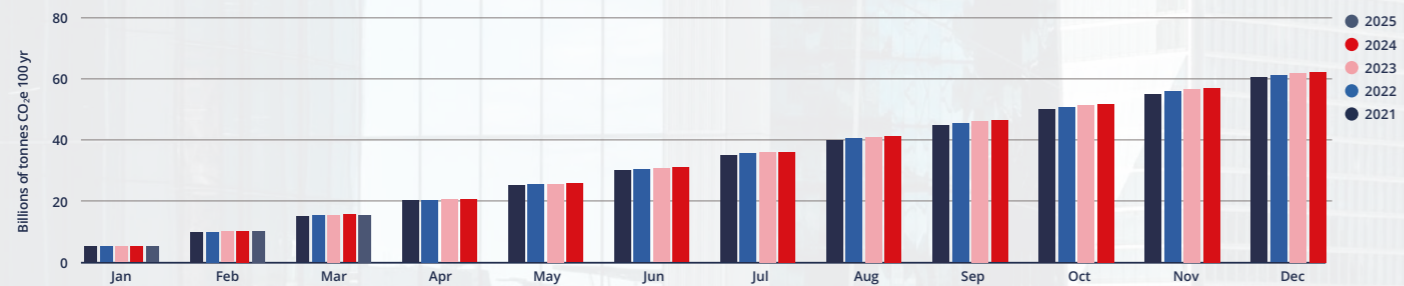
will reach or surpass 1.5°C above pre-industrial levels before 2040 - highlighting the need for immediate action. However, as at March 2025, Climate TRACE (a non-profit coalition of organisations that uses satellites and artificial intelligence to provide real time global greenhouse gas emissions)

have reported a reduction in Global emissions of just 0.04% from March 2024. Indicating that the current Global response to climate change is insufficient to meet the Paris Agreement goals.

Global monthly GHG emissions (Jan 2021 – Mar 2025)



Cumulative global GHG emissions YTD (2021 – 2025)



## 2a. Identified Climate-Related Risks

### Strategic Risks to Investment Portfolios Arising from Climate Change

- 1 Failure to manage climate risk through poor awareness and responsiveness over how climate risks will impact on markets, investment managers, and portfolios.
- 2 Failure to anticipate and effectively manage changes in the market in terms of regulation, disruption, best practice, innovation, and demand - both top-down in terms of asset allocation and bottom-up in terms of the impact on individual investment managers and investments.
- 3 Failure to adapt investment strategy that effectively respond to climate risk in the context of return objectives.
- 4 Failure to positively impact industry behaviour, due to mismanagement of all the above risks.

The systemic nature of climate risk implies we must catalyse change in the financial system at scale. This suggests we need to change the behaviour of our investment managers - encouraging them to internalise climate risk management into their investment process.

Our invested portfolios are exposed to transition risks across all asset classes, and to physical risks over the long-term (40 years). We continue to work closely with our underlying investment managers to better understand the key risk drivers in each asset class and will address these in the most efficient manner to manage our risk. This report provides insight into our efforts in making our portfolios more sustainable, and resilient to climate related risks.



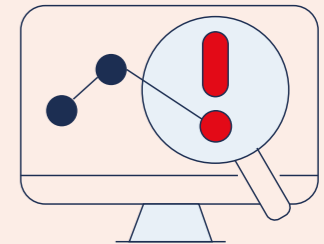
#### Stranded assets

Stranded assets are calculated as the weighted exposure to fossil fuel, oil, gas, and mining assets based on the portfolio allocations to each of the investment managers' mandates.



#### Physical risk

The risks associated with the physical impacts of climate change on companies' operations. The portfolios are most directly exposed to these risks through its property and infrastructure holdings, but they are also expected to indirectly impact other asset classes too. Physical risks are expected to have the largest long-term impacts for all asset classes and economies in general.



#### Transition risk

The risks associated with the transition towards a low-carbon economy. For example, shifts in policy, technology or supply and demand in certain sectors. These are expected to have a larger short- to medium-term impact. These risks are likely to impact all asset classes over short to medium term horizons.

## 2b. Impact of climate change risks and opportunities

We recognise that climate related risks can have a meaningful impact on our business, strategy, and financial planning. As such, we have assessed our investment portfolios' capability to align with a net zero emission target by 2040, whilst retaining its existing financial objectives.

This modelling evidenced that climate change is likely to lead to additional financial stress on the City Corporation's investment portfolios. Throughout our assessment we also learned that our invested portfolios are exposed to transition risks across all asset classes, and to physical risks in the long-term.

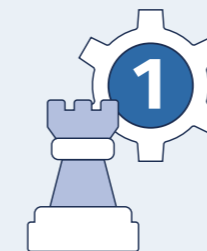
In 2024/25, we re-assessed our Financial Investments' net zero pathway, in line with the Net Zero Investment Framework (NZIF), to ensure that we are keeping up with industry best practice. In light of this, the City Corporation will adopt a pragmatic and targeted approach to reducing emissions by focusing on listed equities and corporate fixed income in material sectors, which represent approximately 80% of Assets Under Management.

### Material sectors (based on NZIF):

agriculture/forestry/fishing, mining/quarrying, manufacturing, electricity/gas/steam/air conditioning supply, water supply/sewerage/waste management and remediation activities, construction, wholesale & retail trade/repair of motor vehicles and motorcycles, transporting and storage, information and communication, financial and insurance activities, real estate activities

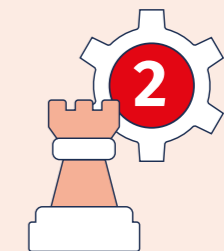


We recognise that our financial investments are not sufficiently exposed to climate related opportunities and are looking to address this. The Investment Committee and CBF Board will be evaluating a number of changes to the portfolios' strategy and strategic asset allocation which broadly fall into two areas:



### Strategy area 1

Changes to the asset allocation including explicit consideration of climate opportunities and impact investing in relation to positive societal and environmental outcomes; and



### Strategy area 2

Reducing the exposure of the underlying portfolios to emission intensive sectors

## 2c. Portfolio Resilience and Scenario Analysis

To enhance our understanding and quantify climate related risks, we conducted scenario analysis in 2025, using four different climate scenarios: Rapid Transition, Orderly Transition, Limited Transition and Failed Transition. These four scenarios are recommended by the Intergovernmental Panel on Climate Change (IPCC) and are consistent with the scenarios used by the Paris Agreement.

### Scenario Analysis & Portfolio Performance

We set a baseline based on current market assumptions: 5% Rapid Transition, 35% Orderly Transition, 15% Limited Transition, 10% Failed Transition, and 35% low/no impact scenarios. Overall, transition risks are largely reflected in pricing, but long-term physical risks may be underappreciated. Since transition risks are partly priced in, Rapid and Orderly scenarios have less impact, while a Failed Transition can unexpectedly benefit sectors expected to lose from a transition.

The scenario analysis assessment was carried out on the asset allocation in place for each Fund at 30 September 2024, reflected as “Current” throughout this section. This was followed by another assessment on the latest strategic asset allocation, reflected as “Strategic” throughout this section. We are in the process of implementing the agreed Strategic asset allocation for City’s Estate and the Pension Fund.

The latest strategic asset allocation with a sustainable tilt, shown as “Strategic with Sustainable Tilt” throughout this section, collectively aligns with the Goals of the Paris Agreement, through a mix of exclusions, alignment with decarbonisation trajectories, sectoral tilts and tilts within sectors.

The analysis considered the potential impact of climate change on the Funds’ assets and liabilities and, therefore, their funding position. The analysis also considers how the Funds’ asset portfolios may perform against the base case in each scenario over the short, medium, and long-term.

### Short-Term

5 years

### Medium-Term

20 years

### Long-Term

40 years

- Rapid Transition Scenario**  
average global temperature increase of 1.5°C by 2100, in line with the Paris Agreement.
- Orderly Transition Scenario**  
Average global temperature increase of less than 2°C by 2100.
- Limited Transition Scenario**  
Average global temperature increase of 2.6°C by 2100.
- Failed Transition Scenario**  
Average global temperature increase of 3.7°C by 2100.

These scenarios were chosen because we believe they provide a reasonable range of plausible climate change pathways over the short, medium and long-term. Whilst these scenarios are based on a detailed series of assumptions, they remain projections and are subject to modelling uncertainty.

### Summary of Scenario Analysis Assessment Output



- Adoption of the agreed strategic asset allocations for the Pension Fund and City’s Estate is expected to broadly reduce exposure to climate-related risks due to a reduction in allocation to growth assets.
- Over the short-term, financial impacts are dominated by transition risk and, as such, the Rapid Transition scenario is associated with the most negative impact returns for all asset pools.
- Under a Rapid Transition, cumulative return impacts (relative to the baseline) for the “current” (30 September 2024) asset allocation across all pools range from -5.9% to -7.4% over a 5-year period.
- A Rapid Transition, over the long-term, is consistently associated with the highest return outcomes as physical damages are the most limited under this scenario.
- Over the long-term, financial impacts are dominated by physical risk and, as such, the Failed Transition is associated with the most negative return impacts for all asset pools.
- Under a Failed Transition scenario, cumulative return impacts (relative to the baseline) for the “current” (30 September 2024) asset allocation across all pools range from -37.0% to -43.9% over a 40-year period.
- Adoption of “Sustainable Tilts” are expected to improve portfolio resilience, whilst further mitigating the impact of transition risk under a Rapid Transition.
- Overall, the adoption of “Sustainable Tilts” across all portfolios is expected to lead to outperformance in scenarios where a transition materialises, in part due to a positive policy environment. Conversely, these tilts can result in short-term underperformance in scenarios where positive policy support does not materialise.

# Scenario Analysis Output

**TABLE 1: Short-term (5 years) cumulative return impacts, relative to the respective baseline**

	City Bridge Foundation	City's Estate	Pension Fund	Charities Pool and Hampstead Heath Trust Fund
<b>Rapid Transition</b>				
Current	-6.5%	-7.4%	-5.9%	-7.4%
Strategic	n/a	-6.0%	-5.4%	n/a
Strategic with Sustainable Tilt	-0.9%	-0.8%	-0.8%	-0.1%
<b>Orderly Transition</b>				
Current	-0.7%	-0.9%	-0.7%	-0.9%
Strategic	n/a	-0.8%	-0.6%	n/a
Strategic with Sustainable Tilt	-0.3%	-0.2%	-0.2%	-0.5%
<b>Limited Transition</b>				
Current	-10.3%	-0.8%	-0.7%	-10.7%
Strategic	n/a	-0.8%	-0.8%	n/a
Strategic with Sustainable Tilt	-9.9%	-0.6%	-0.7%	-13.1%
<b>Failed Transition</b>				
Current	-1.4%	-1.7%	-1.7%	-1.9%
Strategic	n/a	-1.1%	-1.8%	n/a
Strategic with Sustainable Tilt	-2.3%	-2.4%	-2.8%	-2.8%

**TABLE 2: Medium-term (20 year performance) cumulative return impacts, relative to the respective baseline**

	City Bridge Foundation	City's Estate	Pension Fund	Charities Pool and Hampstead Heath Trust Fund
<b>Rapid Transition</b>				
Current	-0.4%	0.5%	0.6%	0.7%
Strategic	n/a	-0.9%	0.7%	n/a
Strategic with Sustainable Tilt	-0.9%	6.7%	7.0%	10.7%
<b>Orderly Transition</b>				
Current	2.8%	3.6%	3.1%	3.2%
Strategic	n/a	2.0%	3.0%	n/a
Strategic with Sustainable Tilt	3.6%	3.6%	4.0%	4.6%
<b>Limited Transition</b>				
Current	-10.3%	-12.3%	-10.3%	-10.7%
Strategic	n/a	-9.8%	-10.5%	n/a
Strategic with Sustainable Tilt	-9.9%	-9.3%	-10.1%	-13.1%
<b>Failed Transition</b>				
Current	-28.6%	-34.4%	-29.2%	-20.9%
Strategic	n/a	-25.9%	-29.2%	n/a
Strategic with Sustainable Tilt	-26.4%	-25.7%	-28.1%	-32.6%

**TABLE 3: Long-term (40 year performance) cumulative return impacts, relative to the respective baseline**

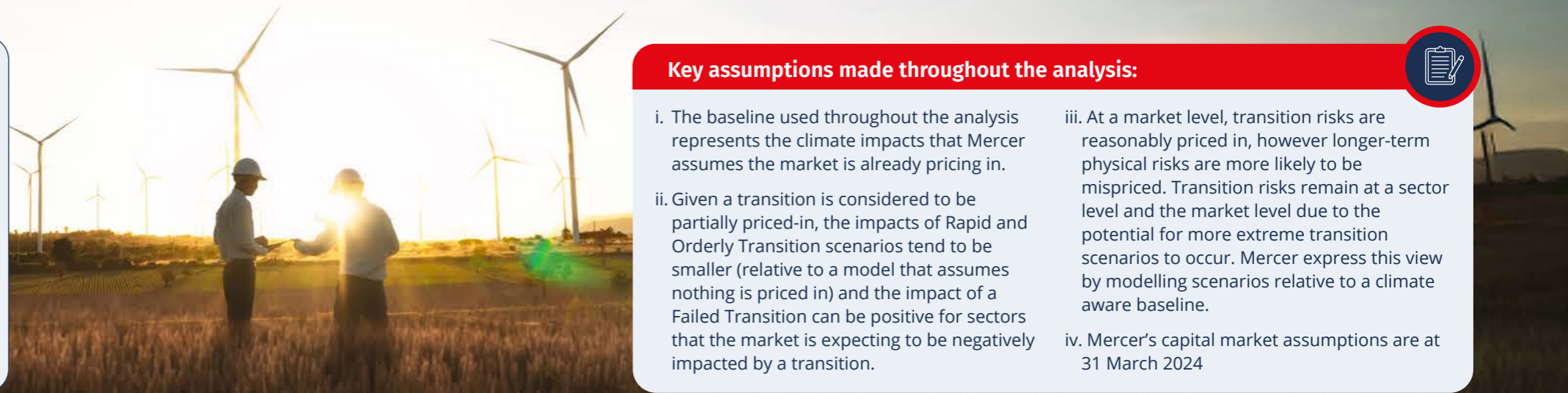
	City Bridge Foundation	City's Estate	Pension Fund	Charities Pool and Hampstead Heath Trust Fund
<b>Rapid Transition</b>				
Current	5.2%	7.9%	6.4%	7.9%
Strategic	n/a	2.8%	5.8%	n/a
Strategic with Sustainable Tilt	15.2%	14.1%	14.8%	22.7%
<b>Orderly Transition</b>				
Current	-1.3%	-1.0%	-0.5%	0.0%
Strategic	n/a	-2.5%	-0.9%	n/a
Strategic with Sustainable Tilt	0.7%	1.0%	1.4%	0.7%
<b>Limited Transition</b>				
Current	-16.5%	-19.3%	-15.9%	-15.8%
Strategic	n/a	-16.0%	-16.3%	n/a
Strategic with Sustainable Tilt	-15.2%	-14.0%	-14.9%	-20.0%
<b>Failed Transition</b>				
Current	-37.0%	-43.9%	-37.6%	-40.5%
Strategic	n/a	-32.9%	-37.1%	n/a
Strategic with Sustainable Tilt	-36.4%	-34.9%	-37.4%	-44.6%

## Modelling Limitations

- There is reasonable likelihood that physical impacts are grossly underestimated.
- Financial instability and insurance 'breakdown' is not modelled. A systemic failure may be caused by an 'uninsurable' 4°C physical environment, or due to the scale of mitigation and adaption required to avoid material warming of the planet.
- Most adaptation costs and social factors are not priced into the models. These include population health and climate-related migration.

## Key assumptions made throughout the analysis:

- The baseline used throughout the analysis represents the climate impacts that Mercer assumes the market is already pricing in.
- Given a transition is considered to be partially priced-in, the impacts of Rapid and Orderly Transition scenarios tend to be smaller (relative to a model that assumes nothing is priced in) and the impact of a Failed Transition can be positive for sectors that the market is expecting to be negatively impacted by a transition.
- At a market level, transition risks are reasonably priced in, however longer-term physical risks are more likely to be mispriced. Transition risks remain at a sector level and the market level due to the potential for more extreme transition scenarios to occur. Mercer express this view by modelling scenarios relative to a climate aware baseline.
- Mercer's capital market assumptions are at 31 March 2024



# Risk Management



## 3a. Identifying Climate-Related Risks

Our approach to identifying and assessing climate-related risks and opportunities is comprised of two elements.

### Element 1 - Qualitative Analysis

We first conducted a qualitative assessment of climate-related risks and opportunities in 2021, and then reviewed in 2024. The underlying premise was that climate-related risks were most likely to impact funds in portfolios with high carbon exposure and where insufficient attention is being paid to climate risk by the investment manager.

Climate-focused engagement meetings are carried out with each investment manager on a regular basis, with additional meetings being held with investment managers of concern. These meetings include discussions around net zero commitments, performance, changes in reported emissions, details of engagement meetings between investment managers and portfolio companies, and future plans on managing risks related to climate change. The information received from the quarterly climate data questionnaires provide a basis for these discussions.



### Element 2 - Quantitative Analysis

The second element is quantitative in nature and delivered by means of climate change scenario analysis, most recently carried out in 2024 by Mercer. This analysis was designed to help assess the potential impact of climate-related risks to the Funds. We intend to undertake similar climate

scenario exercises every 2-3 years, with the next due in 2028, to ensure effective monitoring of the Funds' evolving climate related risks.

The scenario analysis assessment is supported by ongoing monitoring of climate risk data. This is enabled through quarterly climate data requests sent to each investment manager, covering the following areas:

- |  |   |   |  |
|--|---|---|--|
| <p><b>1</b></p> <p>Carbon metrics (as detailed in section 4 'metrics and targets') across Scope 1, 2 and 3 emissions</p> | <p><b>2</b></p> <p>Net zero ambitions</p> | <p><b>3</b></p> <p>Proportion of portfolio for which Scope 1, Scope 2 and Scope 3 emissions data is available</p> | <p><b>4</b></p> <p>SBTi commitments</p>                    |
| <p><b>5</b></p> <p>Financial Investments Risk Reporting</p>  | <p><b>6</b></p> <p>Engagement log</p>     | <p><b>7</b></p> <p>Proxy voting log</p>   | <p><b>8</b></p> <p>Portfolio level Stranded Asset Risk</p> |

### 3b. Managing Climate-Related Risks

Managing climate risk exposure across our investment portfolios hinges on our ability to drive our investment managers to accelerate the integration of climate risk into their investment process. Whilst our approach is to prioritise engagement over divestment, we expect investment managers' portfolios to be fit for a net zero future. We recognise that significant mandates with many of our investment managers is our greatest point of leverage to drive climate action across our portfolio.

**When prioritising our engagement activity, we consider the overall significance of each mandate within the overall portfolio. Factors that go into this include:**



#### Contribution towards overall carbon emissions:

We focus on investment manager portfolio's which are the largest contributors to the City Corporation's total financial investments emissions (tonnes CO<sub>2</sub>e), as this is where climate-related risks are likely to have the greatest impact.

#### Materiality of Asset Classes:

We are now placing more focus on asset classes which are material and which the City Corporation has a greater ability to influence. i.e. Listed Equities and Corporate Bonds.

#### Climate-related risks associated with different asset classes:

Certain asset classes carry a higher climate-related risk exposure than others and are of particular engagement focus. Continued engagement with these investment managers helps us monitor their progress and manage their climate-risk exposure.

### 3c. Integration into Overall Risk Management

The City Corporation does not require immediate divestment from high emission assets or sectors. However, where investment managers continue to hold high emission assets, we will require information around engagement outcomes, expected upside, and steps the manager is taking to manage the associated downside risk, in-line with our Escalation Process.

Our approach to investment manager engagement entails a review of both climate and financial performance, as often as necessary. Investment managers are expected to share a fixed set of climate data on a quarterly basis (as detailed in 4A Metrics & Targets). This enables us to monitor, identify and immediately raise any concerns with investment managers.

We ensure that our portfolios are well diversified, and that our investment managers have a deep understanding of both the companies and assets in which they invest and the risks to which they are exposed. If investment managers are not able to robustly and credibly explain their investment strategies and how they have integrated climate risk, we aim to deepen engagement before looking to replace the investment manager.



## Plans for the Future

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During 2024/25, efforts have been centred around collecting and assessing Scope 3 emissions and re-assessing our net zero transition. This assessment highlighted the steps that the City Corporation will need to take to better align to the Net Zero Investment Framework (NZIF):

- **Refresh targets** – to align with the NZIF recommendations.
- **Portfolio alignment** – consider setting a portfolio alignment target, committing to measuring, monitoring and helping assets under management align to the Paris Agreement.
- **Engagement target** – consider introducing an Engagement Target to focus efforts on investment managers representing the majority of emissions.
- **Climate solutions target** - Define a clear strategy for scaling up investments in climate solutions, where possible.
- **Engagement plan** – Update the Engagement Plan to incorporate new Engagement Target.

### Further Activity

- **Climate Action Performance Dashboard** – the organisation continues to regularly update the publicly available [Climate Action Performance Dashboard](#).
- **Impact integration** – City Bridge Foundation, a historic endowed charity, has started taking steps towards the ambition to deliver required financial returns whilst integrating impact considerations with measurable societal and environmental impacts.
- **Data improvements** – Annual emissions assessments are carried out in-house, allowing for a greater level of insight.

- **Pension Fund** - Following the release of the “LPGS (England and Wales): Fit for Future Consultation” and draft Pensions Schemes Bill, the pooling of assets is now mandatory. All LGPS listed and unlisted assets are expected to be under management of the Pool by 31 March 2026.



# Metrics & Targets



## 4a. Metrics used by the Corporation

We use a number of metrics to assess climate related risks and opportunities and expect this to continue increasing over time, as the availability and quality of data provided improves. The information to the right is requested from investment managers in relation to Scope 1, 2 and 3 emissions, enabling us to identify potential concerns.

### Quarterly climate data requests (Scope 1, 2 and 3 emissions)

1

Absolute Emissions (tonnes CO<sub>2</sub>e)

2

Carbon Footprint (tonnes CO<sub>2</sub>e/£m Invested)

3

Weighted Average Carbon Intensity (WACI) (Issuer's Scope 1+2 emissions / issuer sales) x (issuer's weight in portfolio)

1

Science-Based Targets Initiative (SBTi) Commitments – list of investee companies with 'verified' net zero commitments in place

2

Portfolio emissions data coverage vs estimated data – proportion of holdings for which scope 1, 2 and 3 emissions data is available

3

EU Taxonomy Alignment – proportion of holdings invested in assets that make a positive contribution to mitigating climate change/ accelerating the transition to a low carbon economy

### Annual climate data request – additional information

1

Engagement log – detailing engagement with underlying investment companies

2

Proxy Voting log – detailing all proxy votes over the last year

3

Stranded Asset Risk - based on exposure to holdings in oil, gas, mining, and associated fossil fuels

## 4b. Emissions

Our emissions accounting methodology follows the Partnership for Carbon Accounting Financials (PCAF) guidance.

As at the 31 March 2025, the total emissions, scopes 1 and 2, across all investment portfolios is 204,863 tonnes CO<sub>2</sub>e. Progress towards the City Corporation's 2040 net-zero target, from the baseline (31 March 2019) has been shown in Graph 1. Across all funds, the City Corporation has met its first interim target of a 24% reduction in emissions (tonnes Co2e) by 31 March 2025.

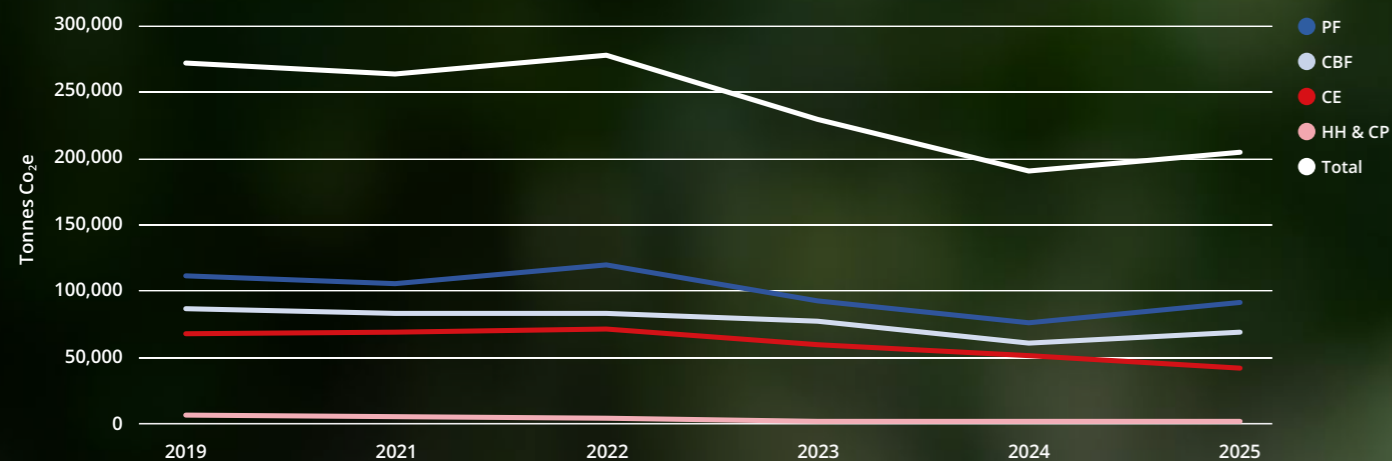
A full breakdown of all assessed carbon metrics is provided in Table 4, along with an estimate of stranded asset risk and verified SBTi net zero commitments, detailed in Table 6. It should be noted that these numbers are estimates and should not be mistaken for a precise quantification of risk.

Scope 1 emissions include direct GHG emissions that occur from sources owned or controlled by the reporting company.

Scope 2 emissions are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company



Graph 1: Scope 1 and 2 Emissions (tonnes Co<sub>2</sub>e) Trend 31 March 2019 (baseline) to 31 March 2025



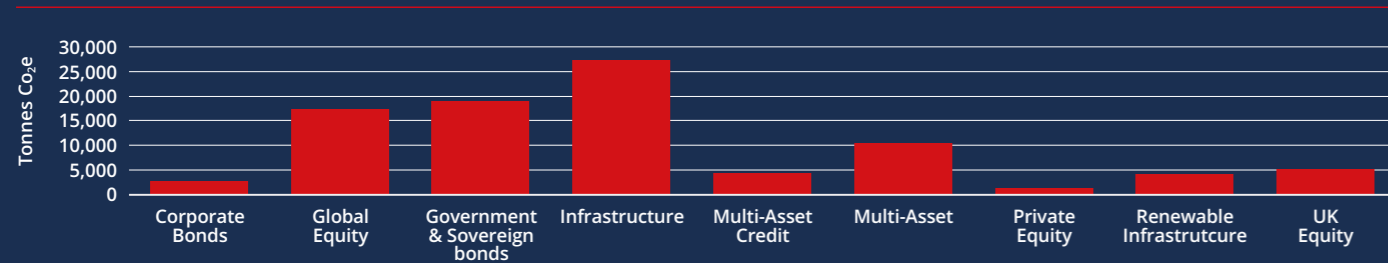
**TABLE 4: Climate Metrics – Scope 1 and 2 Emissions (31 March 2025)**

	City Bridge Foundation	City's Estate	Pension Fund	Charities Pool and Hampstead Heath Trust Fund	Total
Absolute Emissions (tonnes CO <sub>2</sub> e)	69,610	42,202	91,145	1,906	204,863
Carbon Footprint (tonnes CO <sub>2</sub> e/£ Invested)	64.68	43.4	60.7	29.76	42.73
Weighted Average Carbon Intensity (WACI)	133.46	99.73	104.95	44.12	103.3

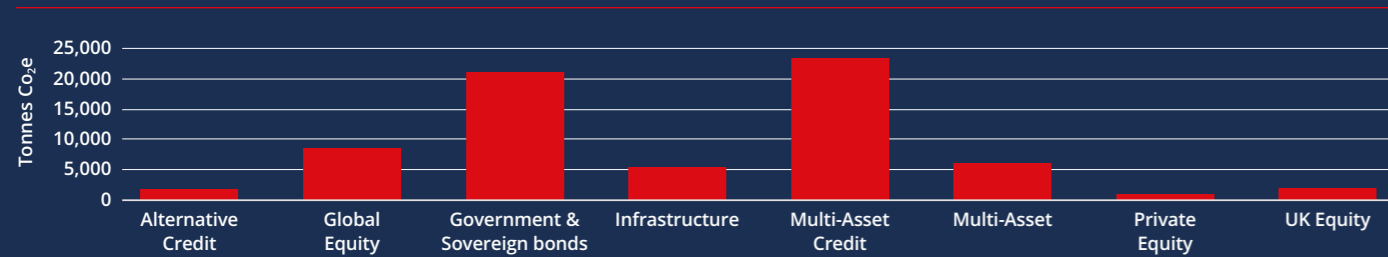
Note 1: Absolute emissions, Carbon footprint and WACI are obtained directly from the Managers or estimated when not available. Where the data was denominated in foreign currency (predominantly USD), this was converted to GBP using the Bank of England exchange rate.  
 Note 2: The Charities Pool and Hampstead Heath Trust Fund have been grouped together as they are smaller portfolios which hold the same investment fund.  
 Note 3: The WACI value for the Pension Fund excludes investment in the Renewable Infrastructure Fund, as this data was not provided.

Emissions attribution by asset class for the City Corporation's funds: Pension Fund, City Bridge Foundation, and City's Estate are shown in Chart 1, 2 and 3 below.

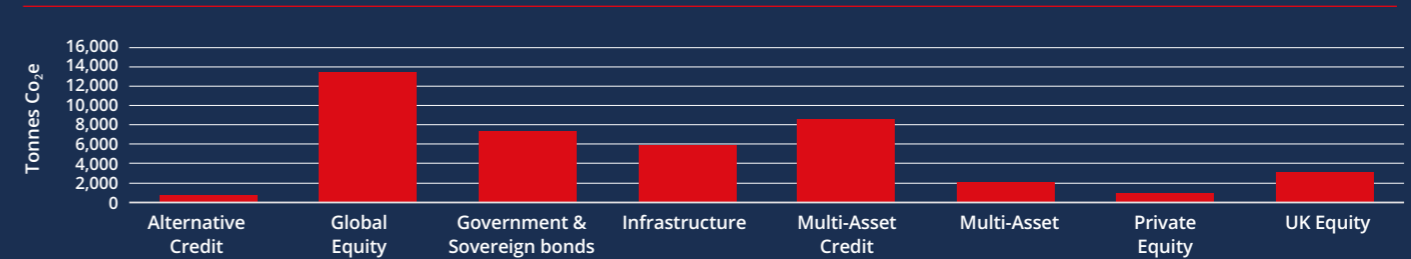
**Chart 1: Pension Fund Scope 1 and 2 Emissions (tonnes Co<sub>2</sub>e) - 31 March 2025**



**Chart 2: City Bridge Foundation Scope 1 and 2 Emissions (tonnes Co<sub>2</sub>e) - 31 March 2025**



**Chart 3: City's Estate Scope 1 and 2 Emissions (tonnes Co<sub>2</sub>e) - 31 March 2025**



Scope 3 emissions include all indirect emissions that occur in a company's value chain, and which do not fall under Scope 2 emissions. This includes a wide array of activities that are not directly controlled by the reporting company, leading to significantly higher reported emissions.

Scope 3 emissions associated with the City Corporation's financial investments have been detailed in Table 5, in line with PCAF guidance and industry best practice. It is known that the data quality for Scope 1 and 2 emissions is of better quality than that of Scope 3 emissions, with the majority of Scope 3 data being estimated, and whilst the City Corporation's interim targets and net-zero target are across Scope 1 and 2 emissions, the opportunity to discuss Scope 3 emissions with underlying investment managers is recognised and will be explored during future engagement.

**Table 5: Absolute Emissions (tonnes CO<sub>2</sub>e) - Scope 3 Emissions (31 March 2025)**

	City Bridge Foundation	City's Estate	Pension Fund	Charities Pool and Hampstead Heath Trust Fund
Absolute Emissions (tonnes CO <sub>2</sub> e)	1,662,129	2,258,063	546,404	19,008

Note 1: Scope 3 absolute emissions were obtained directly from investment managers.  
 Note 2: Scope 3 emissions exclude emissions associated with Private Equity Funds and emissions from one Infrastructure Fund.

**Table 6: Further Information (31 March 2025)**

	City Bridge Foundation	City's Estate	Pension Fund	Charities Pool and Hampstead Heath Trust Fund
Verified SBTi net zero commitments	24%	25%	21%	23%
Stranded Asset Risk (as % of portfolio)	3.40%	3.36%	3.60%	8.29%
Share of mandates with stranded asset exposure	17/1923	167/1821	18/23	1/1

Note 1: All figures were obtained directly from investment managers.  
 Note 2: SBTi : Science Based Targets Initiative  
 Note 3: Stranded assets were calculated as a weighted exposure to fossil fuel, oil, gas and mining assets based on the portfolio allocations to each of the managers' mandates.  
 Note 4: The Charities Pool and Hampstead Heath Trust Fund have been grouped together as they are smaller portfolios which hold the same investment fund.

## 4C. Targets used to Manage Climate-Related Risks

The City Corporation seeks to align financial investments with a net zero pathway and ensure consistency with the 1.5°C ambition of the Paris Agreement.

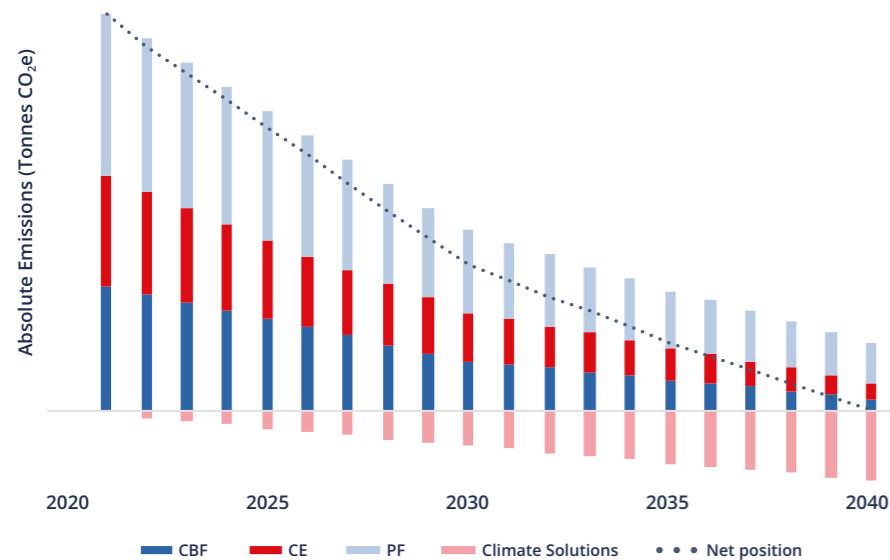
We target an absolute emissions reduction (tonnes CO<sub>2</sub>e) of 24% by 2025 (achieved), 55% by 2030, and we aim to transition all assets to net zero by 2040. We are closely examining

potential investments into climate solutions before 2025. Graph 2 sets out the City Corporation's pathway to meet net zero.

Consistent with best practice set by the Glasgow Finance Alliance for Net Zero, our interim targets frontend decarbonisation in the next decade recognising that progress from 2030 will be slower due to hard-to-abate emissions. The trajectory beyond 2030 is dependent on the IPCC's climate scenarios and the structure of the City Corporation's investment portfolio. We intend to assess and ensure that progress towards our net zero ambition is on track.

The ambitious 2040 net zero target across the portfolio, alongside the proposed interim targets will continue to require three significant shifts in the way the City Corporation approaches financial investments.

Graph 2: Absolute Emissions (tonnes CO<sub>2</sub>e) - Scope 3 Emissions (31 March 2025)

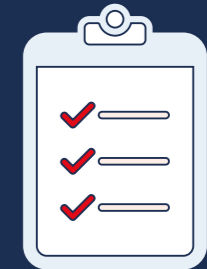


1

We will continue to implement our comprehensive engagement strategy and intensively work with managers to accelerate their integration of climate risk into the investment process.

We are anticipating changes to asset allocations in 2026. This opportunity will be used, with the assistance of investment consultants to gain exposure to climate solutions within our investment portfolio, and impact investments with measurable societal and environmental outcomes.

2



3

We continue to further build in-house capability to implement the strategy and ensure adequate monitoring of targets.

## Annex 1: Metric and Scope Definitions

Metric	Definition	Units
<b>Absolute Emissions</b>	The total carbon emissions produced by a company or fund.	tCO <sub>2</sub> e
<b>Weighted Average Carbon Intensity (WACI)</b>	Total carbon emissions normalised by revenue/ sales, and weighted by holding value.	tCO <sub>2</sub> e / mGBP revenue or sales
<b>Carbon Footprint</b>	Total carbon emissions normalised by investment value.	tCO <sub>2</sub> e/ £m Invested

Emissions Scopes	Definitions
<b>Scope 1 Emissions</b>	Direct GHG emissions that occur from sources owned or controlled by the reporting company.
<b>Scope 2 Emissions</b>	Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.
<b>Scope 3 Emissions</b>	All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company

## Annex 2: Modelled Climate Scenarios

### 1.5°C Rapid Transition

Average temperature increase of 1.5°C by 2100 in line with the Paris Agreement. This scenario assumes sudden large-scale downward re-pricing across multiple securities in 2026. This could be driven by a change in policy or realisation that policy change is inevitable, consideration of stranded assets or expected cost. To a degree the shock is sentiment driven and is therefore followed by a partial recovery across markets. The physical damages are most limited under this scenario.

### <2°C Orderly Transition

Average temperature increase of less than 2.0°C by 2100. This scenario assumes political and social organisations act in a co-ordinated way to implement the recommendations of the Paris Agreement to limit global warming below 2°C. Transition impacts do occur but are relatively muted across the broad market.

### 2.6°C Limited Transition

Average temperature increase of 2.6°C by 2100. This scenario assumes that policymakers implement limited Nationally Determined Contributions and fall short of meeting the Paris Agreement goals. The attempted transition translates in a slight downward re-pricing of securities in the late 2020s and slightly mitigates physical damage (relative to a failed transition). These physical damages are priced in to a degree in the late 2020s and in the late 2030s.

### 3.7°C Failed Transition

Average temperature increase of 3.7°C by 2100. This scenario assumes the world fails to co-ordinate a transition to a low-carbon economy and global warming hits 3.7°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasingly negative impacts from extreme weather events. Certain climate tipping points are hit and explicitly modelled. These are reflected in re-pricing events in the late 2020s and in the late 2030s.



## About the City of London Corporation:

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally successful UK.

We aim to:

- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

By strengthening the connections, capacity and character of the City, London and the UK for the benefit of people who live, work and visit here.

[www.cityoflondon.gov.uk](http://www.cityoflondon.gov.uk)

[www.cityoflondon.gov.uk/services/environmental-health/climate-action](http://www.cityoflondon.gov.uk/services/environmental-health/climate-action)



## THE GLOBAL CITY

## About the Global City campaign:

The Global City campaign is the City of London Corporation's overarching initiative to promote the UK as a world-leading international financial centre. It showcases the UK as a great place for financial and professional services firms to invest, locate and grow.

[www.theglobalcity.uk](http://www.theglobalcity.uk)