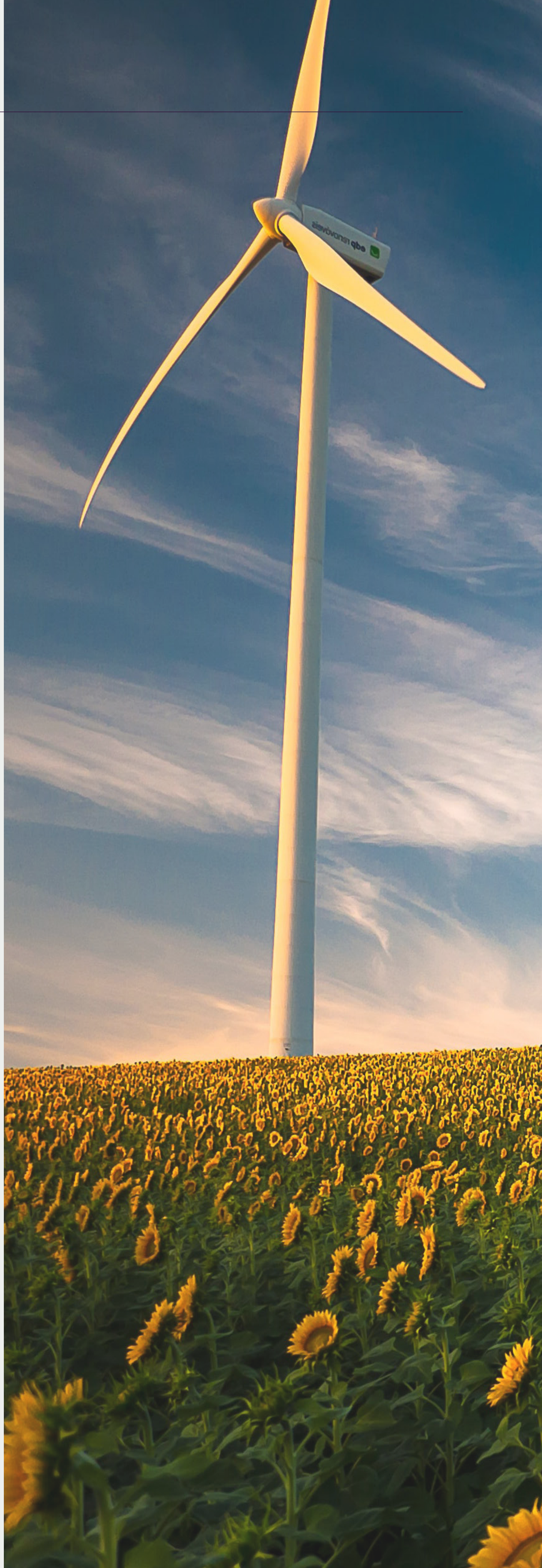
London CIV

Taskforce on Nature-related Financial Disclosures (TNFD) Report 2025

December 2025

Working together to deliver sustainable prosperity for the communities that count on us all

Contents



This is London LGPS CIV Limited's ("London CIV") first Taskforce on Nature-related Financial Disclosures ("TNFD")-aligned report. We expect our future approach to evolve as data availability and industry standards change, with progressive enhancement of nature-related data, governance, metrics, and reporting over time.

Introduction

Why is nature important to London CIV?

Nature underpins the global economy, long-term investment value and human wellbeing. The World Economic Forum (WEF) estimates that half of global GDP is moderately or highly dependent on the natural world and the services it provides,[1] whilst other estimates suggest this figure may be even higher. But human activities have had a devastating impact on the natural world, with the planet already operating outside the safe zone for six of the nine planetary boundaries.[2]

Nature:

The natural world, emphasizing the diversity of living organisms, including people, and their interactions with each other and their environment.

Source: Recommendations of the Taskforce on Nature-related Financial Disclosures, September 2023

As environmental degradation accelerates and biodiversity loss intensifies, investors face growing exposure to nature-related risks. For us, understanding and addressing these risks is not only a matter of being environmentally responsible but also forms part of our responsibility to manage potentially material financial risks that could affect long-term investment performance. Nature is also a source of opportunity: from resilient supply chains to emerging natural capital markets, it offers pathways for sustainable growth.

Below we outline why nature is an area of increasing focus for us and how it influences our investment thinking.

1. **Nature-related risk is financial risk:** In 2024, direct economic losses from natural catastrophes reached $417 billion.[3] This figure represents only one dimension of nature-related risk, which also includes systemic threats to supply chains, food security, and long-term economic resilience. As the physical impacts of climate change increasingly disrupt human lives, livelihoods and economic activities, these impacts are likely to increase.
2. **Systemic risks associated with climate and nature change seriously threaten the long-term socioeconomic stability of the world.** As responsible stewards our Partner Funds' capital, we consider ESG risks a fundamental part of investment risk management.
3. **There are significant investment opportunities in the natural capital asset class** which may present attractive risk-return profiles to our Partner Funds, whilst benefiting the natural world.[4]
4. **Nature is important to our Partner Funds** which led us to the establishment of the LCIV Nature Based Solutions Fund in 2024.
5. **Nature and climate are strongly interrelated.** Climate change poses a severe threat to ecosystems and biodiversity, accelerating degradation across land and sea. Yet nature is also part of the solution: forests, oceans, and wetlands serve as vital carbon sinks, while intact natural habitats help buffer against coastal erosion, flooding, and other climate-related impacts.

1 https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/
2 https://tnfd.global/wp-content/uploads/2023/08/Recommendations_of_the_Taskforce_on_Nature-related_Financial_Disclosures_September_2023.pdf
3 https://www.ajg.com/gallagherre/news-and-insights/gallagherre-natural-catastrophe-and-climate-report-2024/
4 Investments carry risk. The value of investments can go down as well as up, and you may not get back the amount invested.

Taskforce on Nature-related Financial Disclosures Overview

Background

Established in 2024, the TNFD is a market-led, science-based initiative supported by national governments, businesses, and financial institutions worldwide.

The Taskforce comprises 40 individual members representing financial institutions, corporates, and market service providers with over US$20 trillion in assets[5]. The TNFD has developed a set of disclosure recommendations and guidance to help businesses and financial institutions assess, report, and act on their nature-related dependencies, impacts, risks, and opportunities. The framework is closely aligned with the recommendations of the Taskforce. We have committed to be an early adopter and have produced our first report this year. We intend to progressively enhance our nature-related disclosure practices as our work in this space evolves.

Key Concepts and Definitions[6]

- **Biodiversity**: Variability among living organisms including diversity within species, between species and of ecosystems.
- **Natural capital:** The stock of renewable and non-renewable natural resources such as plants, animals, air, water, soils and minerals that combine to yield a flow of benefits to people.
- **Ecosystem services:** Aspects of ecosystems which benefit economic and other human activities, such as resource provision, regulation, and cultural services.
- **Dependencies:** Aspects of environmental assets and ecosystem services that an organisation relies on to function e.g. habitat provision, water flow, flood regulation; carbon sequestration.
- **Impacts or pressures:** Change in the state of nature (quality or quantity), which may result in changes to the capacity of nature to provide social and economic functions. Impacts can be positive or negative.
- **Nature-related risks:** Potential threats posed to an organisation arising from direct and indirect dependencies and impacts on nature. Risks can be physical risks (e.g. biodiversity loss, ecosystem collapse), transition risks (e.g. policy shifts, market changes) or systemic risks (e.g. supply chain disruption).
- **Nature-related opportunities:** Activities that create positive outcomes for organisations and nature.
- **Double materiality**: TNFD encourages organisations to assess both how nature affects their business (financial materiality) and how their business impacts nature (impact materiality).

5 About us – TNFD
6 Adapted from https://tnfd.global/wp-content/uploads/2023/08/Recommendations-of-the-Taskforce-on-Nature-related-Financial-Disclosures.pdf?v=1734112245

Purpose of this work

This year, our objective was to identify potential hotspots of nature-related risk across our portfolio for deeper analysis. This initiative builds on our existing work on environmental issues such as climate and deforestation and marks a foundational step toward systematically assessing nature-related risks, dependencies, and impacts. Our aim is to evaluate whether current investment and risk management processes are sufficiently addressing nature-related risks and whether any enhancements may be beneficial.

Our approach is informed by guidance from the TNFD, recognising that methodologies in this space are still emerging. As with many asset managers, we are evolving our understanding and capabilities. This report represents our initial iteration of the TNFD 'LEAP' approach, outlined on page 7, as a first step towards progressively aligning future reporting with the TNFD recommended disclosures. This work reflects our commitment to responsible investment, our intention to lead by example and to push our delegated investment managers to do the same.

As part of our work on nature, we ultimately seek to understand:

- Are nature-related risks material to our portfolio? If so, which risks are material?
- Are current ESG risk-management processes adequately managing nature-related risks and capturing opportunities?
- Which companies and funds should we focus on?

However, this is not straightforward to answer, because:

- Nature-related risks are incredibly varied, and there is no single unit for measuring nature-related risks (unlike with climate risk, where CO_2e is a standardised measurement for greenhouse gas emissions).
- Nature-related impacts are highly localised, and difficult to assess using top-down public datasets.
- Nature-related data and methodologies for assessing financial risks are still nascent and evolving.
- It is very difficult to assess value-chain risks.

In our first year of TNFD reporting, our aim was therefore to:

- Identify key nature-related dependencies, pressures and priority sectors for further assessment.
- Understand how our delegated investment managers are assessing and managing nature-related risks and opportunities.

We aim to build upon this analysis in future as our understanding improves and industry data and methodologies mature. This approach aligns with the TNFD recommendations, which support iterative identification and analysis of nature-related risks.

Our nature journey

Achievements to date	2025 analysis	Proposed future work
Policy: Embedded nature into Stewardship Policy, Responsible Investment Policy and Voting Guidelines	**Nature strategy planning:** Developing overall strategy for improving management of nature-related risks and opportunities	**Prioritisation** of engagement themes and companies
Due diligence: Nature-related questions integrated into due diligence processes	**External investment manager engagement:** Engaged all managers and general partners on their approach to assessing and managing nature-related risk and opportunities[7]	**Governance:** Developing our Board's understanding on nature-related risks and TNFD
ESG integration: Nature integrated into ESG assessment frameworks for some investment managers and general partners	**Materiality assessment:** Conducted analysis of public markets equities and corporate credit to assess nature-related dependencies and impacts, using data from ENCORE and other sources	**Further analysis:** Continued enhancement of nature-related analysis
Monitoring: Began monitoring Forest 500 exposure in 2022	**Due diligence, monitoring and engagement:** Ongoing work in all these areas	**Engagement and stewardship:** Further engagement with EOS, investment managers and nature-focussed initiatives including NA100.
Nature-based Solutions Fund: Launched in 2024 with a focus on sustainable forestry and agriculture	**TNFD disclosure:** As an early adopter of the TNFD, this report is our first disclosure under the framework	
LCIV Nature-based Solutions Fund:		
Engagement: Conduct ongoing nature-related engagement via our stewardship provider EOS, investment managers and collaborative groups		
Reporting: Report on material nature-related work in stewardship report		

7 Includes all delegated managers as at 31st December 2024.

Our process

How We Work with Our External Investment Managers

We delegate investment management of the assets within our pool to external investment managers.

These managers are crucial to the delivery of investment performance and our Partner Funds' responsible investment objectives through active engagement. We offer products across multiple asset classes. Within our Authorised Contractual Scheme (ACS), this includes actively managed equities, fixed income and multi-asset funds. In our private markets platform, we provide access to infrastructure, real estate, housing, private debt, and natural capital products.

Responsible investment considerations such as climate and nature are integrated into our strategy and product design, and our investment manager selection process. Once appointed, our expectations for incorporating Environmental, Social and Governance (ESG) factors into their investment strategy and reporting are formalised in written agreements. We monitor our investment managers to ensure they meet our standards and engage with them on their own stewardship activities and goals, as well as to develop relevant stewardship themes. This approach aims to achieve appropriate risk-adjusted financial returns and support a fair transition to a sustainable world for our Partner Funds and their members. Each manager has their own approach to managing nature-related risks – for more details please see pages 9 and 20.

How We Consider Nature Related Risks

Nature considerations are embedded in our Stewardship Policy, Responsible Investment Policy and Voting Guidelines. Each year, we review our engagement themes in light of the evolving landscape of ESG risks and opportunities. In 2025, we designated Nature and Biodiversity as one of our "Core Three" themes. This guides our engagement with our investment managers, our stewardship provider EOS at Federated Hermes Limited (EOS), and investee companies.

Case Study: London CIV invests in Nature Based Solutions

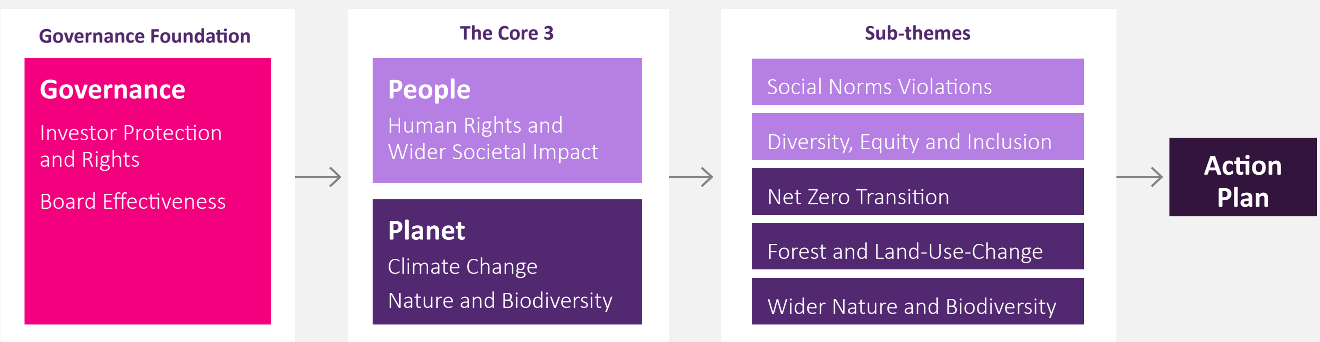
In 2023, in response to Partner Fund requests and aligned with our responsible investment strategy, we initiated the development of our first Nature-Based Solutions Fund. This fund focuses on two core asset classes - Sustainable Forestry and Sustainable Agriculture - with additional scope for exposure to carbon or other environmental credits. The fund seeks to invest in strategies which protect, sustainably manage, or restore natural ecosystems (land and/or water-based), and addresses challenges related to climate change and biodiversity.

To better align with our Partner Funds' desire for sustainable outcomes, we identified a need for clearer, comparable evidence of the fund's sustainable outcomes, prompting additional enhancements to reporting. The objective of this was to ensure the manager's report contained comparable, decision useful metrics demonstrating measurable environmental and social benefits alongside capital appreciation. Practically, this involved agreeing a tailored set of metrics with each General Partner (GP) based on strategy and portfolio composition. Side letters reflected feasibility and materiality by manager, strengthened due diligence expectations and ensured the Fund could monitor credible, outcome-focused metrics in line with our ESG framework.

Outcome: We successfully launched the fund, making commitments to three managers, each of whom signed supplementary side-letters that strengthened nature-based reporting requirements:

- JPM Campbell Global Forest & Climate Solutions Fund II
- Manulife Hancock Timberland and Farmland Fund
- Gresham House Forest Fund VI

Figure 1: London CIV Stewardship Priorities



Governance

Governance Structure Overview

This section describes our governance structure and how this affects our management of nature-related risks.

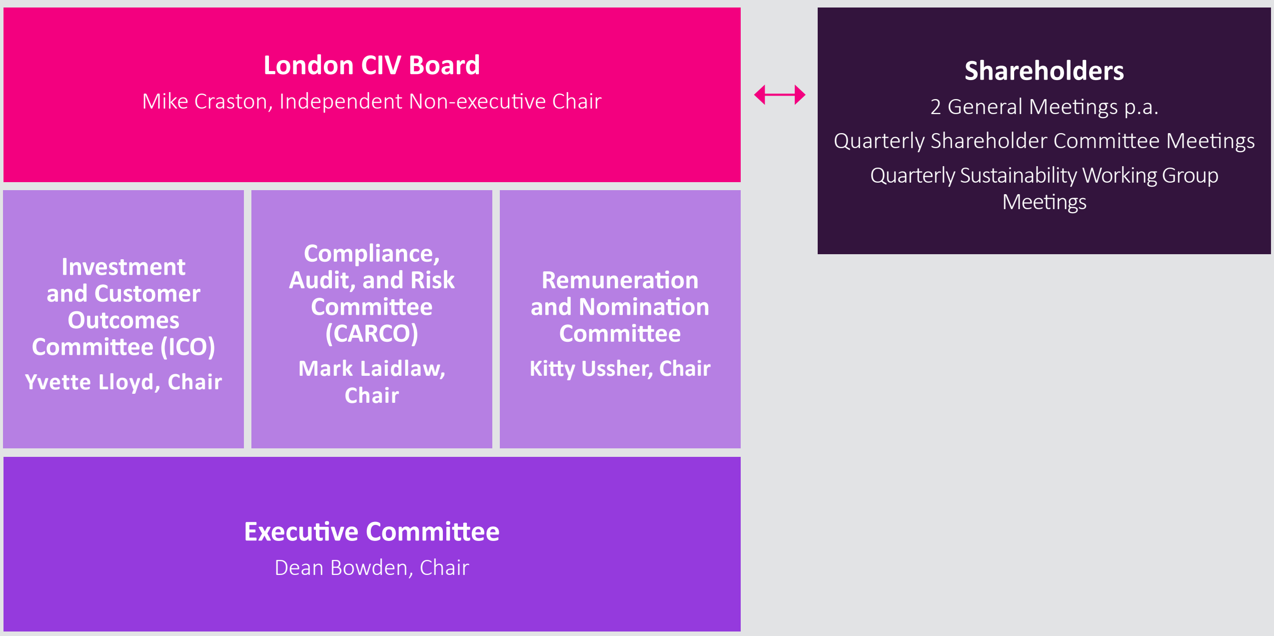
The diagram below outlines our governance structure and the arrangements for engagement with our 32 Partner Funds, who are also our shareholders. This framework engenders a high level of collaboration on responsible investment and ESG matters, including in the design and development of funds.

The Executive Committee supports the Chief Executive Officer (CEO) in his leadership of London CIV. The Chief Sustainability Officer (CSO) reports directly to the Chief Investment Officer (CIO) in recognition of the integral role ESG considerations play in our investment approach.

Governance of Nature-Related Risks

Responsibility for managing nature-related risks and wider ESG issues currently sits with the RI team, led by the CSO. At present, any material nature risks are addressed through existing ESG risk management and governance channels. The CSO attends the Investment Team and Executive Investment Committee meetings to ensure any RI matters are adequately addressed, and produces a quarterly report to the ICO. As our approach continues to mature, we have identified opportunities to report to the full Board on nature topics, including training for Board members in 2026. A Board-level review of the TNFD framework is planned to support the integration of nature-related risk into governance and oversight structures.

Figure 2: London CIV committee structures



Identifying, assessing and managing risks and opportunities

To better understand nature-related risks and opportunities across our funds, we undertook an assessment combining data analysis and direct engagement with our managers.

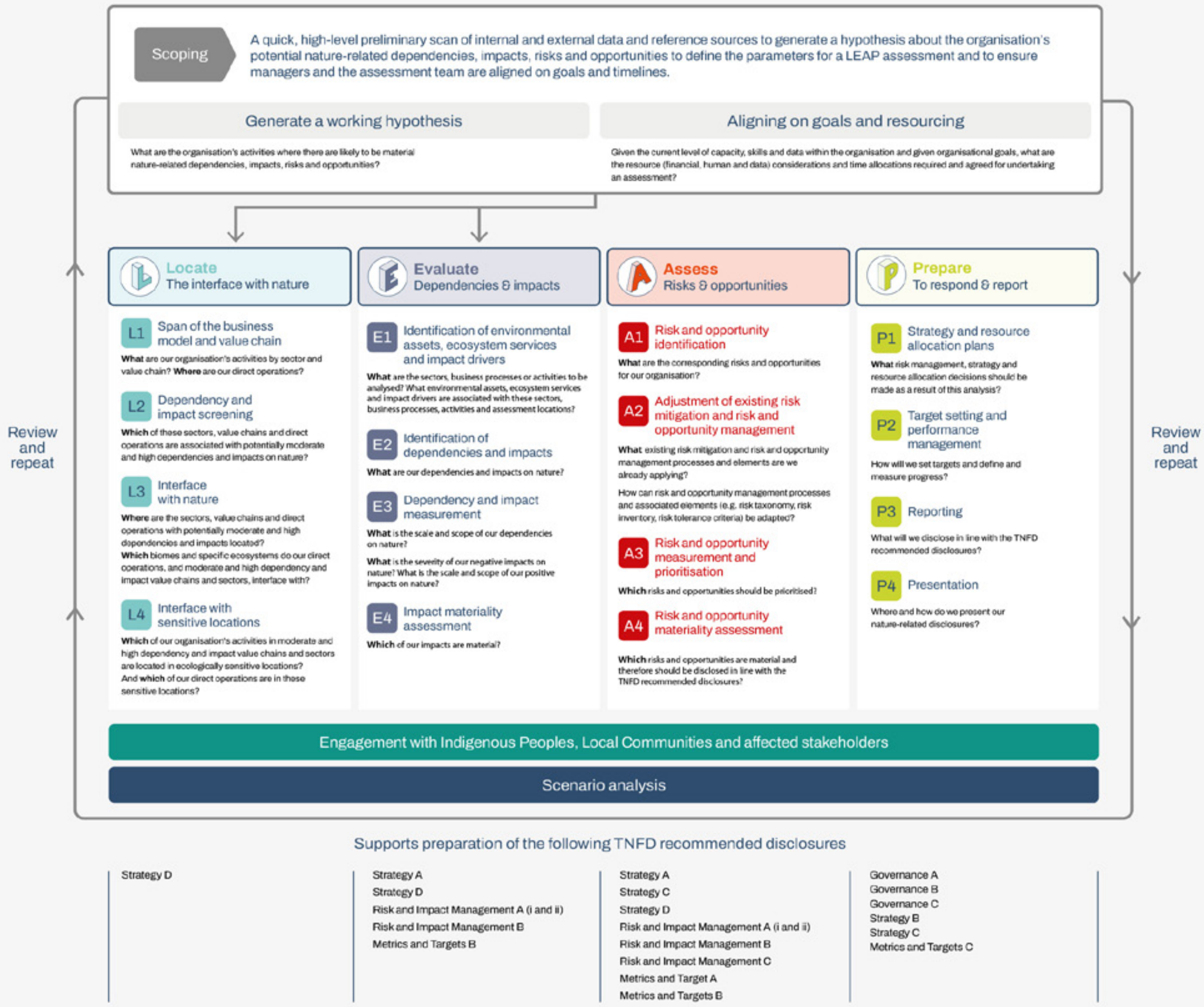
This is the first step towards our broader commitment to integrate material nature considerations into investment analysis, and aligns with the 'LEAP' framework developed by the TNFD.

'LEAP' is an iterative process designed to help businesses assess nature-related risks and opportunities. The steps are:

- **Locate** interfaces with nature
- **Evaluate** dependencies and impacts
- **Assess** risks and opportunities
- **Prepare** to respond and report

This year, our work focussed on the initial scoping, "Locate" and "Evaluate" steps as outlined below.

Figure 3: The TNFD LEAP Framework for Nature-Related Risk Assessment



Source: https://tnfd.global/wp-content/uploads/2023/08/Guidance_on_the_identification_and_assessment_of_nature-related_Issues_The_TNFD_LEAP_approach_V1.1_October2023.pdf

Our process began with a high-level materiality assessment using publicly available data, focussed on our ACS funds, followed by targeted deep-dives into a number of identified areas. This was supplemented by a survey and several in-depth conversations with our investment managers and general partners.

Data analysis

This year, our focus was on identifying the most material (in relative terms) dependencies, pressures and subsectors, to focus our analysis. Our future work will aim to assess whether these are likely to lead to material risks to our holdings.

- **Materiality assessment:** We conducted a high-level materiality assessment of LCIV ACS funds, using 'Exploring Natural Capital Opportunities, Risks and Exposure' (ENCORE), a publicly-available and industry-recognised database of nature-related topics, to try to identify the most material nature-related dependencies and pressures.

- **Supplementary analysis:** For some areas which were identified as material, we used supporting data from third-party providers including S&P, MSCI and Global Canopy to supplement our understanding.

Our data analysis currently focuses on public markets. For private markets, we relied primarily on manager survey responses and engagement to conduct our assessment, due to limitations on data availability for private assets.

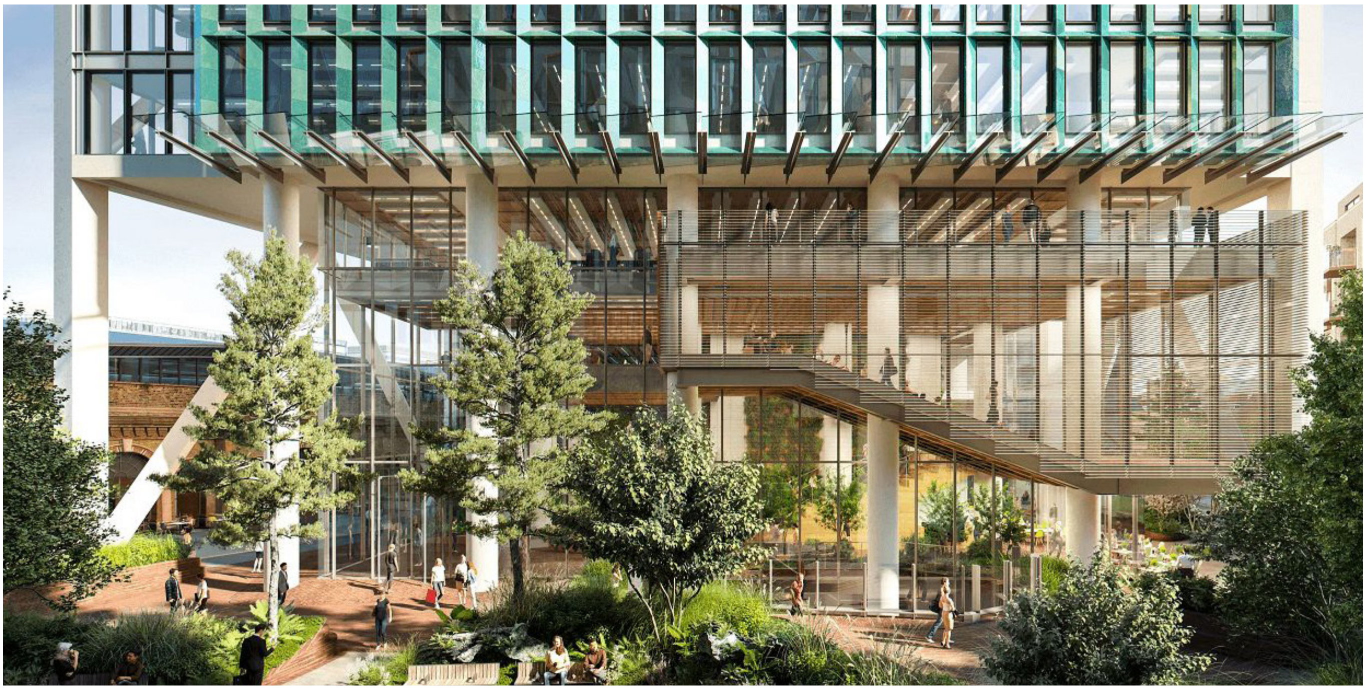
We aim to expand our analysis in future as data availability improves and as industry methodologies mature.

Manager engagement

To understand how our managers are managing nature-related risks, we conducted a survey of our public and private markets managers.

- **Manager survey:** We asked our managers about their approaches to nature-related issues, including governance, strategy, risk management, metrics, targets, reporting and case studies.

- **Manager deep-dives**: We also held in-person conversations with three managers with relatively advanced approaches, as case studies.



Public Markets

Understanding how our investment managers' approach nature

Summary of survey responses

9 out of 13

LCIV ACS managers included specific sections on nature within their responsible investment policies.

11 out of 13

are members of external collaboration groups focused on nature and biodiversity.

12 out of 13

reported integrating nature-related risks into ESG scorecards, due diligence, and monitoring processes—where such risks were identified as material for a given sector. The exception was State Street, as the LCIV PEPPA Fund is passive.

8 out of 13

have conducted additional analysis to assess their exposure to nature-related risks. In most cases, this consisted of high-level materiality assessments or scoping exercises, but three managers went a step further, having conducted detailed thematic or geospatial analysis at the asset-level.

Key observations

- **We were encouraged to see that nearly all public market managers reported integrating nature-related risks** into due diligence and monitoring processes where these risks were deemed material.
- **However, we note that it is difficult to assess whether managers are adequately managing nature-related risk,** as work to understand the materiality of these issues is still ongoing. Managers also use varying methodologies, and it is difficult to verify their application. We expect we will begin to see further harmonisation of approaches in future as industry standards mature and data improves.
- **Common themes** identified by multiple managers included biodiversity, water, and deforestation.
- **Several managers reported using metrics** such as water usage, biodiversity indicators, or ESG scores that incorporate nature-related factors to monitor risks. However, none have yet set formal nature-related targets.
- **While some managers shared case studies,** a number of examples were high-level or primarily focused on climate risk. As approaches mature, we expect to see more detailed evidence of how nature-related risks are being considered and addressed.

Next steps

The survey provides a valuable baseline for understanding where managers currently stand and helps informs our engagement strategy. We plan to reissue the survey in 1–2 years to reassess the landscape and track progress. By then, we expect greater clarity on our material nature-related risks and more mature industry practices. We will also encourage managers to join the TNFD where they have not already done so.

Assessing nature-related risks

Materiality assessment

We conducted an initial materiality assessment of LCIV ACS holdings using data from Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE). ENCORE is a publicly available tool that provides high-level assessments of nature-related dependencies and pressures. It was developed by Global Canopy, the UN Environment Programme Finance Initiative (UNEP FI), and the UN Environment Programme World Conservation Monitoring Centre (UNEP-WCMC).

ENCORE is widely regarded as a foundational resource for financial institutions and corporations seeking to identify nature-related risks. It is well respected across the industry and frequently cited as a primary tool used to analyse nature-related exposures.

We used two key dimensions of the database:

Dependencies: aspects of nature and ecosystem services that an organisation relies on to operate effectively. They underpin critical functions such as resource availability, environmental stability and cultural value.

ENCORE considers dependencies across three areas: provisioning services (e.g. timber, livestock, agricultural products), regulating and maintenance services (e.g. soil quality regulation, flood mitigation) and cultural services (e.g. recreation, scientific research).

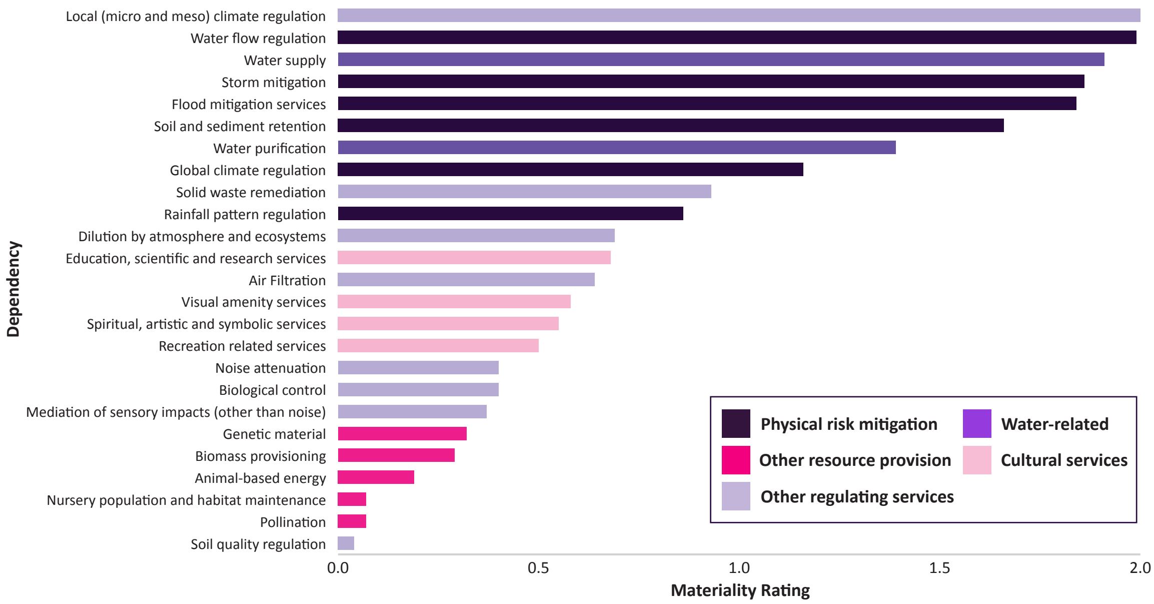
Pressures (impacts): changes to nature which may affect its capacity to provide social and economic functions (positively or negatively).

ENCORE considers the following pressures: freshwater use, land use, seabed use, disturbances, GHG emissions, non-GHG air pollution, soil and water pollution, solid waste, introduction of invasive species, biotic and abiotic resource extraction, water use.

ENCORE maps each economic sub-sector to the full list of nature-related dependencies and pressures, and provides a materiality rating, on a scale form Very Low (1) to Very High (5). The exact methodology for this mapping varies by sector and ecosystem service and may include both qualitative and quantitative information. These ratings should be interpreted relative to each other rather than as absolute assessments of risk. This information can be used to identify potential hotspots of risks, which can then be further analysed in future to assess their materiality. As this is an initial assessment, we have considered direct operations of companies within our ACS funds only.

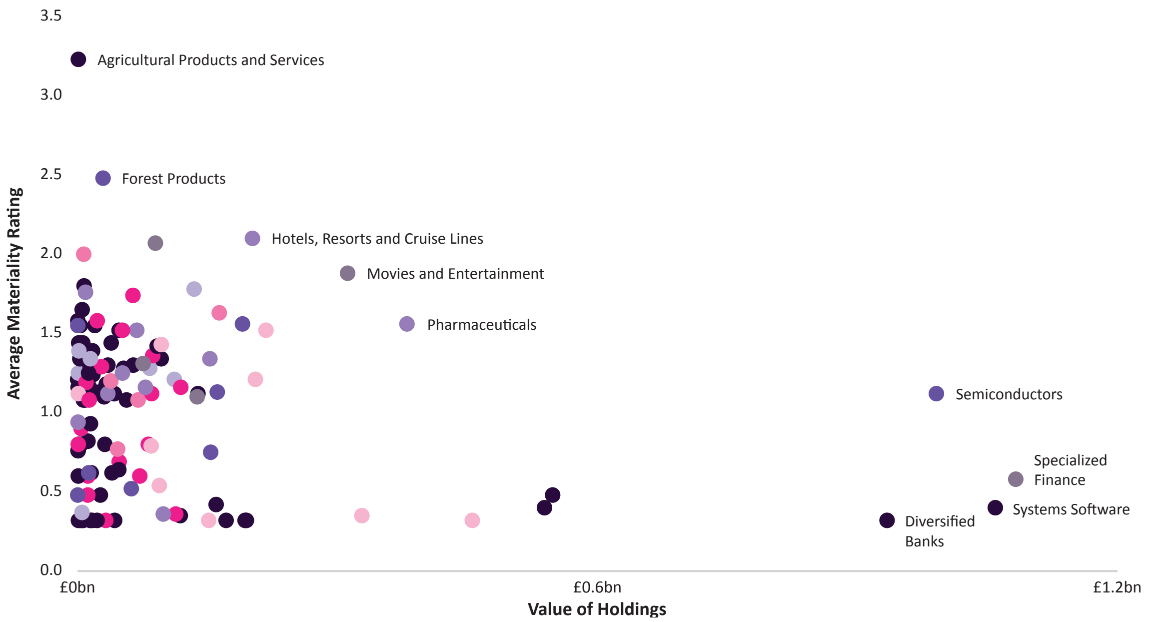
Dependencies

Figure 4: LCIV ACS Funds - Natural Capital Dependencies



Source: LCIV analysis using ENCORE materiality ratings

Figure 5: LCIV ACS funds – Natural Capital Dependencies by Sub-Industry



Source: LCIV analysis using ENCORE materiality ratings

Our findings

- **Material dependencies:** The most material dependencies in our portfolio were related to 1) local climate regulation, 2) flood risk (water flow regulation, storm and flood mitigation) and 3) water supply. At an aggregate level, these were determined to have a Low to Medium materiality rating. However, the rating for some sub-industries was higher.

- **Sub-industries with highest materiality ratings:** Agriculture and forestry were the sub-industries with the highest average materiality rating. However, very few of our holdings are directly mapped to these sub-industries leading to a low value of holdings. We believe this underestimates their impact portfolio as many of our holdings will have indirect exposures through their supply chains. We also took a further look into the semiconductor sector (see below), due to the high value of holdings and relatively high materiality compared to other sectors with high AUM.

- **Supplementary analysis:** To supplement our ENCORE analysis, we used physical risk ratings from S&P, focussing on flood risk and water stress. Our initial observation was that government entities and financial institutions tended to register higher scores across both hazards. We will review the underlying methodologies and data drivers for these sectors in greater detail before using these results, and will continue to explore additional water-focused data sources to improve robustness and understanding.

Sub-industry analysis

- **Agriculture:** Within agriculture, the most material risks were related to water use and flood mitigation. Although the value of holdings listed above is low, we believe this may understate our overall exposure, as manufacturers and retailers of consumer goods (e.g. food, personal care products, clothing) will have significant agricultural exposure in their direct operations or supply chain, despite having a different primary sector.

- **Forestry:** Deforestation has been an area of stewardship focus since 2022. We supplemented our analysis by evaluating our exposure to deforestation risk using Global Canopy's Forest 500 database as a basis for accelerating our engagement activities in 2025. In 2025, 7% of ACS holdings are listed on the Forest500 database. The exposure is relatively concentrated across a few companies- Amazon alone accounts for 29%, with the top five companies making up 53%. Please see the more details on our forestry work on pages 18-19.

- **Semiconductors:** Within semiconductors, flood mitigation and water use were the most material dependencies. These are well-known issues in the sector, and we plan to build on our analysis through future work.

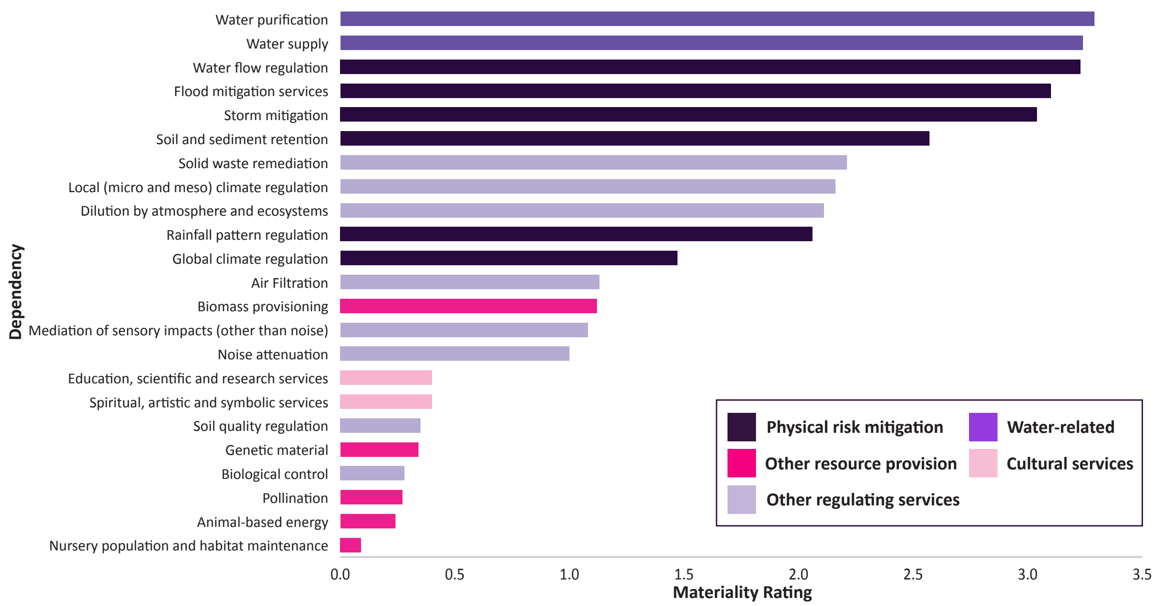
Next steps:

- **Further analysis:** We plan to build out our analysis to assess the materiality of nature-related dependencies focussing on water risk and flood risk. This is likely to include use of public or third-party data sets focussed specifically on these areas, and may use company-level data to identify priority companies. Note that although local climate regulation was the highest-rated dependency overall, as it is highly localised it is difficult to assess and manage without site-level data.

- **Thematic research:** We will conduct further research on water risks in the agricultural and semiconductor sectors to build out our understanding and expectations of how these can be managed at a company and fund-level. We will also continue to stay abreast of latest thinking on deforestation risks and regulatory developments such as the EU Deforestation Regulation (EUDR).

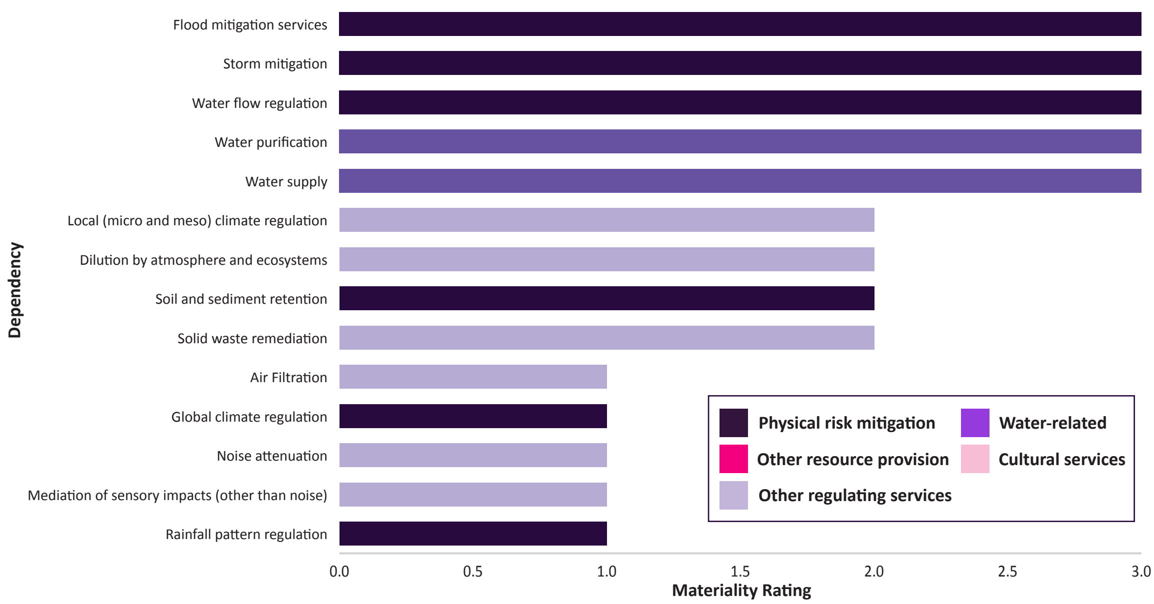
- **Engagement:** We have incorporated these findings into our engagement plan. Where funds have particularly high exposure to priority sectors and companies, we will engage with the fund manager to better understand how these risks are managed. We will also continue to work with our engagement provider EOS to support company-specific and thematic engagement around water risks.

Figure 6: Agricultural sector – Natural Capital Dependencies



Source: LCIV analysis using ENCORE materiality ratings

Figure 7: Semiconductors sector – Natural Capital Dependencies



Source: LCIV analysis using ENCORE materiality ratings

Water risks

Overview:

Water was identified as critical dependency for our portfolio in this year's TNFD analysis. Water is not only essential for life, but underpins nearly every sector of the global economy, from agriculture and energy to manufacturing and technologies.

Organisations rely on clean water as an essential input into products and processes from basic food necessities to advanced semiconductors, whilst lack of adequate drainage systems in a world with increasing patterns of rainfall can leave companies exposed to storm and flood risks. Our analysis highlighted water as a critical dependency, highlighting water-related risks including water stress, flood risk and water quality. Understanding how companies rely on and manage water use is vital for ensuring the long-term sustainability of their business models.

Case study:

Operating in a water-stressed region: Taiwan Semiconductor Manufacturing Company (TSMC)

Background: Our investment manager, Baillie Gifford, has been engaging with TSMC, a leading semiconductor manufacturer and the world's largest dedicated foundry, on water scarcity and resource management. The company operates primarily in Taiwan, a water-stressed region, and accounts for around 10% of the island's total water consumption. As semiconductor manufacturing shifts to smaller nodes, production becomes increasingly water intensive. Water scarcity has previously been cited as limiting the company's domestic expansion plans.

Action: Through correspondence with TSMC since 2022, Baillie Gifford has engaged with the company to understand its approach to managing water-related risks. TSMC shared plans to construct water reclamation plants in Taiwan to reduce withdrawals from natural sources and incorporate domestic reclaimed water into its operations. The company also outlined its comprehensive water management strategy, which is audited by third-party organisations, and conducts triennial assessments of its water footprint alongside other environmental metrics.

Next Steps: TSMC has committed to reducing water consumption by 30% by 2030 and enhancing its water recycling capabilities. These commitments demonstrate the company's intent to improve the environmental impact of its operations over the medium and long term. Baillie Gifford will continue engagement to deepen understanding of the business risks posed by water scarcity and assess the company's contingency planning for more severe drought scenarios.

Case study:
Managing flood risk at a battery energy storage project

Background: BlackRock (one of our private markets managers) acquired a portfolio of battery energy storage systems across the UK. One of the assets, Immingham, currently under construction, is located near the Humber Estuary on England's east coast, an area where a breach of coastal defences poses flood risk. Recognising the potential exposure to flooding and its impact on asset operations and value, flood mitigation was identified as a critical consideration during the due diligence stage.

Action: BlackRock's Climate Infrastructure Technical team engaged with the project developer to ensure robust flood mitigation measures are in place. These include:

- Raising all essential electrical infrastructure, including battery units, substation equipment and the control room, to 1.9m above ground level, keeping them above predicted flood levels identified in the project Flood Risk Assessment.
- Registering the site with the Environment Agency's flood warning system, enabling continuous monitoring and prompt alerting of personnel in the event of imminent flood risk.
- Implementing flood-resilient construction techniques, including steel and concrete platforms to anchor equipment securely.
- Establishing clear evacuation procedures to ensure the safety of personnel during a flood.
- Ensuring operational continuity, with limited impact expected even during a flood, provided wider grid infrastructure remains unaffected.

Next Steps: BlackRock will monitor the Immingham site during construction and operation, ensuring that mitigation measures remain effective and maintaining engagement with the developer to uphold site safety. Flood risk will remain a key focus area for active management throughout ownership.

Case study:
Water risk, innovation and climate transition

Background: Our investment manager, Insight Investment, has engaged on several occasions with a multinational energy company involved in electricity and gas generation and distribution. The latest engagement was prompted by research which identified a significant number of the issuer's operational sites located in regions of high water stress, particularly Italy, Spain and Chile. The objective of the engagement was to assess the issuer's awareness of this exposure and understand its mitigation strategies.

Actions: The issuer reported that water risk has become less material to its operations compared with previous years. This is primarily the result of the company's strategic transition away from coal and nuclear generation, which are highly water-intensive. The issuer anticipates that water-related challenges will continue to ease as its generation mix shifts further toward renewable energy technologies, which require substantially less water.

For its remaining thermal plants, the issuer confirmed it is implementing enhanced cooling water management practices, driven by the drought conditions experienced in Italy in 2022. The drought also pushed the company to innovate and identify new approaches to conserve water across its operations, including developing drone technology capable of cleaning photovoltaic panels without using water and increasing the use of wastewater wherever possible.

The issuer has also set specific targets to reduce water withdrawals across its entire operations and confirmed that it has achieved significant reductions in water withdrawals in recent years.

Next Steps: While the issuer remains flagged as high-risk under Insight Investment's water screening, its decarbonisation strategy is expected to reduce this risk over time. Insight Investment will continue to monitor the issuer's coal phase-out, noting any implications for water risk, and will similarly track the gas phase-out plan, recognising that a transition away from gas could further decrease water use

Pressures or impacts are changes in nature that influence its ability to provide social and economic benefits, either positively or negatively. Such changes can affect ecosystem services like clean water, fertile soil, climate regulation, and biodiversity.

The following page illustrates the pressures that companies within LCIV funds have on the natural world.

Our findings

- **Material pressures:** From a pressures perspective, identifying clear themes was more challenging. The most significant category overall was disturbances, such as noise and light pollution. However, these areas are difficult to assess and address through a top-down approach. Soil and water pollution, land use, greenhouse gas emissions, and water use all received materiality ratings between Low and Medium.
- **Subsectors:** In term of sub-sectors, agricultural products and services, mining (including gold, steel, construction materials, and other materials) were found to have the highest impacts on nature. Although direct AUM in these sectors is low, we note that many industries will have exposure through their supply chains.
- **Agriculture:** For agriculture, the most significant pressures were emissions of toxic soil and water pollutants, disturbances, and water use. As mentioned earlier in the report, the agricultural sector is likely to be an area of future focus for us.
- **Mining:** For the mining sector, our analysis indicates that noise and light pollution, along with emissions of toxic soil and water pollutants, are the most material issues. Mining sector impacts are inherently difficult to address due to the nature of the activity. As part of our future work, we plan to conduct further research on this topic, for example through engaging peers and EOS, to better understand impacts, mitigation protocols and how to effectively engage with mining companies.

Environmental controversies

In addition to our ENCORE-based materiality assessment, we screened our ACS funds using MSCI data on ESG Controversies, focussing on environmental controversies. Our findings were:

- No companies were assigned a red flag, meaning none were directly involved in one or more "very severe"[8] ongoing controversy cases.
- 19 companies were assigned an orange flag, which may indicate historically "very severe" controversies where stakeholder concerns have been partially resolved, indirect involvement with a "very severe" controversy, or direct involvement with a "severe" controversy

We are reviewing the detailed reports for reach flagged controversy, and where appropriate, we will engage with our investment managers on how these concerns are being addressed.

Next steps:

As discussed above, further research will likely focus on the agriculture and mining sectors. We will also review any holdings with ESG-related controversies and determine if further action is required to address these.

6 Based on MSCI methodology and categorisation

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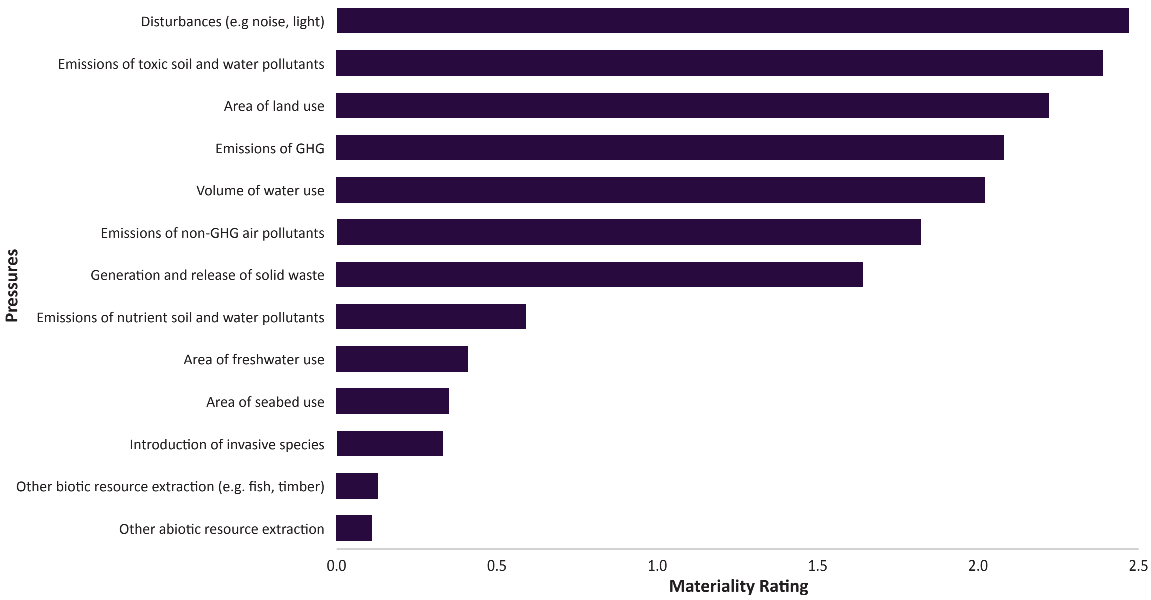
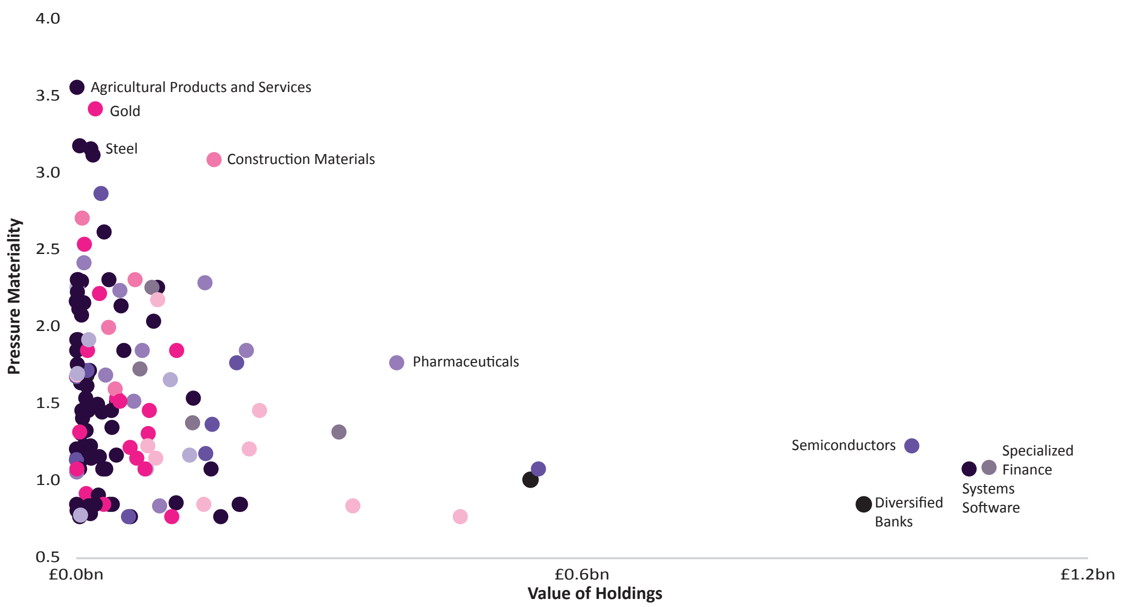
Pressures

Figure 8: LCIV ACS Funds - Natural Capital Pressures



Source: LCIV analysis based on ENCORE materiality ratings

Figure 9: LCIV ACS Funds – Natural Capital Pressures by Sub-industry



Source: LCIV analysis based on ENCORE materiality ratings

Deforestation

Overview:

Deforestation has been a key stewardship focus area for us since 2022. The UN Food and Agriculture Organisation estimates that 480 million hectares of forest were lost between 1990 and 2020.

Deforestation not only destroys habitats[9] and threatens countless species, but also impacts soil health and water purity and releases carbon from vital sinks, accelerating climate change. Forests are also tied into the lives and livelihoods of their local communities. Yet addressing deforestation in company operations and supply chains is not only an ethical issue - deforestation risks can quickly become financially material through regulatory changes, reputational impacts and supply chain disruption.

Our actions in 2024 and 2025 related to deforestation

In this period, we:

- Launched a the LCIV Nature-Based Solutions Fund focused on sustainable forestry and agriculture.
- Joined Nature Action 100 (NA100), collaborating with other investors to address nature-related challenges, with a particular focus on engaging with Amazon, our biggest single-company exposure to deforestation risk.
- Incorporated deforestation considerations in legal side letters when appointing new Investment Managers (where material to the mandate).
- Strengthened our work as part of the Investor Policy Dialogue on Deforestation (IPDD) by joining the Consumer Countries Working Group.

9 https://openknowledge.fao.org/server/api/core/bitstreams/8f599970-661d-45f5-a598-2ea46ca1605f/content/cb9360en.html

Case study:
Shaping industry guidance on deforestation

Background and action: As a member of Finance Sector Deforestation Action (FSDA), we were invited to provide feedback ahead of the public consultation on new draft supplementary guidance on deforestation being developed by IIGCC to support the Net Zero Investment Framework. The guidance is intended to be globally relevant and addresses all major drivers of deforestation, including commodity production, land-use change, and development pressures.

During the group consultation, we provided several points of feedback on the new framework. We raised concerns about the need to include best practice examples and emphasised the importance of cross-referencing existing frameworks where possible. We also highlighted considerations around geographical relevance, such as differences between developed and frontier countries and how impacts on nature may vary. On a practical level, we stressed that deforestation policies for asset owners and asset managers could be integrated into existing policies rather than requiring a standalone policy.

Next steps and outcomes: The final guidance is expected to be launched in January 2026.

Case study:
Addressing supply chain deforestation

Tyson Foods, Inc. engages in the production of processed food. It operates through the following segments: Chicken, Beef, Pork, and Prepared Foods. In 2024, we voted in favour of a shareholder proposal that request Tyson accelerate its efforts to eliminate deforestation, native vegetation conversion, and primary forest degradation from its supply chains to achieve independently verified deforestation-free supply chains by 2025. The proposal recommends Tyson Foods to:

- Include native vegetation conversion and primary forest degradation in the company's deforestation-free goal.
- Disclose the company's forest footprint and annual reporting of deforestation-free commodity volumes.
- Complete a material biodiversity dependency and impact assessment in line with the Task Force for Nature Related Financial Disclosures (TNFD) Framework.
- Disclose scope 3 emissions related to deforestation and other land-use change.

The proposal unfortunately only received 3.3% support. However, we will continue to engage through EOS to promote improved management of natural capital.

Private markets

Overview

Given the limited availability of standardised data in private markets, our assessment relied mainly on direct engagement with our investment managers and their responses to our survey. This approach allowed us to gain insight into how nature-related considerations are being integrated across different asset classes, despite the inherent challenges in data collection. Below is a summary of our key observations by asset class:

Infrastructure

- Nature-related work was primarily driven by local laws and regulations (e.g. Biodiversity Net Gain (BNG) in the UK) or external frameworks such as TNFD. Managers often took significantly different approaches in different locations, driven by different regulatory environments.
- All managers consider nature-related risks within their broader ESG assessments, particularly for greenfield sites. Several cited examples where nature-related considerations could have a material financial impact on sites e.g. through affecting flood risk or wildfire risk. Please see page 15 for a case study example on how our investment manager manages flood risks.
- Analysis is usually highly site- or project-specific. Some managers also undertook broader top-down work across their portfolios.
- A few managers demonstrated leading practice which went a step further than their peers. For example, one manager conducted detailed analysis of its supply chain impacts, including work on supply chain traceability of key materials, and lifecycle assessments.
- Two of our managers have set specific targets on nature.

Real Estate

- In our real estate funds, much of the activity has been driven by the UK's Biodiversity Net Gain (BNG) regulation.
- Managers incorporate considerations of nature, biodiversity, physical risks and BNG requirements into their assessments of new sites.
- One manager was identified as leading practice with top-down work assessing biodiversity, water stress, climate stress and carbon sequestration.

Private Debt

- Within private debt, consideration of nature was high-level and mostly integrated into wider considerations of environmental risk.
- We noted some efforts to improve data collection on nature-related topics.

Nature-based Solutions

- Managers have advanced approaches with detailed considerations of nature-related dependencies, impacts, risks and opportunities in line with the TNFD framework. Please see the case study on page 5 for further details.

Next steps:

We will use the survey responses to build our understanding of best practice consideration of nature for each asset class (e.g. data collection, consistency across regulatory environments). This can then be used as part of our engagement to highlight examples of good practice amongst peers.

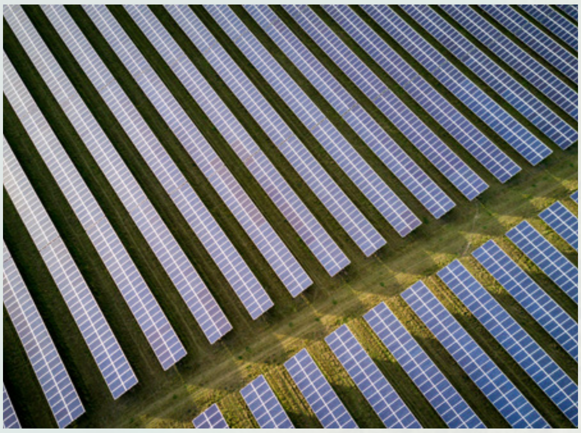
Biodiversity

Overview:

Biodiversity underpins the stability and resilience of the global economy. Healthy ecosystems provide essential services such as water regulation, soil fertility, pollination and climate regulation that businesses and investors depend on. When biodiversity declines, these services are disrupted, creating material risks for sectors ranging from agriculture and forestry to infrastructure and consumer goods. For investors, this translates into exposure to operational, regulatory and reputational risks, as well as missed opportunities in emerging nature-positive markets.

Case study:
Boosting biodiversity at a solar power facility

Background: Our Renewable Infrastructure Fund investment manager Quinbrook invested in Cleve Hill, a solar and storage site located in Kent, UK. At 373 MW of solar PV capacity and 150 MW of battery capacity, Cleve Hill is the UK's first Nationally Significant solar and storage project. Cleve Hill is situated on a wetland area of high biodiversity significance. The area historically was used for low grade arable land but was under local community pressure to re-wild the area and support local wetland birds and wildlife. Drawing on the economic benefits of solar and storage, the site has avoided higher intensity property development and established an extensive biodiversity net gain plan. In 2023, the project actively commenced its Landscape and Biodiversity Management Plan (LBMP), implementing extensive rewilding and habitat management, including dedicating 15% of the total site to biodiversity improvements, to actively create wildlife and biodiversity benefits.



Case study:
Managing biodiversity of timberland projects

Our investment manager has embarked on two collaborative efforts to enhance the measurement and monitoring of biodiversity within the forests they manage in the portfolio. The first utilises a partnership between the National Council of Air and Stream Improvement and NatureServe who are collaborating to improve data quality regarding the distribution of rare, threatened, and endangered species within managed timberlands. The second is belonging to a small working group with Sustainable Forestry Initiative (SFI) to help the forestry industry leverage geographic information systems and biodiversity databases to enhance how timberland managers can identify, assess, and monitor biodiversity opportunities across certified landscapes. The latter continues the investment manager's recognition by SFI for their pioneering work within the industry, as their conservation and biodiversity enhancement plans garnered a notable practice in 2024 SFI audit and then a commendation in 2025 for continued efforts.

Case study:
Forever Chemicals

Details of engagement: Shin-Etsu Chemicals is a company which engages in the manufacture and sale of industrial chemicals, including PFAs (per-and polyfluoroalkyl substances), also known as "forever chemicals". These substances are extremely slow to degrade in the natural environment and may have detrimental impacts to both humans and wildlife. EOS communicated investor concern and expectations of the company's activity regarding the use of hazardous and persistent chemicals.

EOS initiated their engagement with Shin-Etsu Chemical in 2022 by co-signing a letter to the CEOs of 50 chemical companies including Shin-Etsu Chemical, with other investors asking companies to increase transparency on the use of hazardous chemicals, improve their ChemSore ranking, make a time-bound commitment to phase out such chemicals and set plans to shift towards circular products.

EOS followed up with the company in a joint engagement with Asian Corporate Governance Association (AGCA) in 2023 and reiterated their expectations as outlined above. EOS also sent the company a letter detailing their expectations. EOS later met with the company as part of the collaborative engagement under the Investor Initiative on Hazardous Chemicals (IIHC) which is supported by ChemSec to reiterate their expectations on transparency and phase out of hazardous chemicals.

Outcomes and next steps: The company acknowledged their concerns and stated that it fully complies with local regulation and does not produce any banned substances. The company also stated it was not aware of ChemScore but was willing to learn and improve its score.

As of Q1 2025, the company improved its ChemScore ranking in the latest assessment disclosed, improving from 44th (Grade D) in 2022 to 21st (Grade C-). EOS will continue to engage with the company to improve its ChemScore and its commitment around hazardous and persistent chemicals.

Case study:
Voting in favour of improved disclosure

At Home Depot and PepsiCo's 2025 AGMs, we voted in favour of two shareholder proposals: "Report on Risks Related to Biodiversity and Nature Loss" at PepsiCo and "Disclose a Biodiversity Impact and Dependency Assessment" at Home Depot. Given the significant influence these companies have on the natural environment, we believe supporting these measures is essential to driving transparency and accountability. For the Home Depot proposal, it received a 17% percent support from shareholders. For the PepsiCo proposal, it received 18% support from shareholders.

Next Steps: Overview of Planned Future Work

Based on the analysis to date, we have identified several clear themes, including water risk, deforestation, and environmental controversies. These will form the basis of future research and help will inform our engagement strategy. Building on these findings and the recommendations in this report, our next steps will focus on deepening our understanding and enhancing engagement across our portfolio:

- **Targeted engagement:** The results of our analysis will be incorporated into our engagement plan for the year. For example, where we have identified particular companies with material exposures, we may choose to engage to understand how they are managing these risks, through EOS, our investment managers, or nature-focussed initiatives such as NA100.
- **Further analysis of risks:** We plan to build on our understanding of our exposure to the risks identified. This may involve:
  - Thematic research, focussing on water risk in the agriculture and semiconductor industries, and mining impacts.
  - Quantitative analysis (subject to public and third-party data availability and suitability), focussing on better understanding exposure to water and flood risk. This may involve company-specific analysis and, if appropriate, geolocational data and supply chain modelling.
- **Further manager engagement:** We will continue to collaborate with our investment managers to understand and monitor their approaches to nature-related risks, for example through our regular touchpoints and quarterly case studies. Where appropriate, we may share examples of peer best practice with managers. We plan to repeat our manager survey in 1-2 years to understand progress.
- **Collaborative initiatives:** We will maintain active participation in industry groups such as NA100 and IPDD, leveraging collective action to drive best practices.
- **Board Awareness:** We will provide opportunities for Board training on nature-related risks and the TNFD framework, ensuring our directors are equipped to oversee management's response to these emerging issues.

Appendix 1: Reference to TNFD framework

Page references TBC

As a voluntary early adopter of the TNFD, this is our first year of in-depth nature-related analysis and reporting. We have therefore intentionally focussed our work on initial scoping and prioritisation, following the approach recommended by the TNFD LEAP framework. This will enable us to focus future work and aligns to that of industry peers. We are therefore not currently able to report against all the recommendations of the TNFD, but hope to expand our disclosures in future reporting cycles as we continue to build on our analysis and industry methodologies mature.

Section	Recommended disclosure	Report reference and notes
Governance	Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	page 6
	Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	page 6
	Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	Please see London CIV's Responsible Investment Policy and Stewardship Policy, available on our website.
Strategy	Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	pages 11-13, 16-17
	Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	pages 4, 5, 24 and case studies on pages 14-15, 18-19 and 22-23
	Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	As this is our first-year of in-depth nature-related analysis and disclosure, we have not conducted scenario analysis or geolocational analysis of underlying assets.
	Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	
Risk and Impact Management	Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations.	As a financial institution with a small operational footprint (a single, leased office space), our most significant boundaries with nature are in our investment funds. We have therefore focussed our analysis on dependencies and pressures within LCIV funds.
	Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s).	pages 5-10, 20
	Describe the organisation's processes for monitoring nature-related dependencies, impacts, risks and opportunities.	
	Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.	Consideration of nature-related risks is integrated into other ESG risk-management channels at London CIV (pages 5-6). Similarly, many of our external investment managers integrate nature-related risks into wider ESG scorecards, due diligence and monitoring processes (pages 9, 20).
Metrics and Targets	Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	As this is our first year of in-depth nature-related analysis and reporting, we have not disclosed nature-related metrics or set targets. This aligns to the TNFD LEAP approach and that of industry peers. We expect our analysis and disclosures to evolve in future as our internal assessment frameworks and industry methodologies mature.
	Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.	
	Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	

Appendix 2: Glossary

ACS	Authorised Contractual Scheme
AGM	Annual General Meeting
AUM	Assets Under Management
BNG	Biodiversity Net Gain
CARCO	Compliance Audit and Risk Committee
CEO	Chief Executive Officer
CIO	Chief Investment Officer
CSO	Chief Sustainability Officer
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure
EOS	EOS at Federated Hermes
ESG	Environment, Social and Governance
EUDR	European Union Deforestation Regulation
GHG	Greenhouse gas
ICO	Investment and Customer Outcomes Committee
IIGCC	The Institutional Investors Group on Climate Change
IPDD	Investors Policy Dialogue on Deforestation
LEAP	Locate, Evaluate, Assess and Prepare
LGPS	Local Government Pension Scheme
NA 100	Nature Action 100
PEPPA	Passive Equity Progressive Paris Aligned Fund
RI	Responsible Investment
TCFD	The Task Force on Climate-Related Financial Disclosures
TNFD	The Task Force on Nature-Related Financial Disclosures
UN PRI	United Nations Principles for Responsible Investment

Appendix 3: Methodology notes

The analysis in this report was conducted by London CIV using data from the third parties listed below. Whilst we have conducted research and, where appropriate, due diligence to understand the processes and controls of these third parties, we are reliant upon their underlying modelling techniques, assumptions and data reliability.

For LCIV ACS funds, analysis was conducted based on a point-in-time snapshot of the portfolio as of 30th June 2025, and covers listed equities and corporate fixed income assets only. Unless otherwise stated, only direct operations are considered.

ENCORE

ENCORE-derived materials used in this report are reproduced under the following attribution requirement: ENCORE Partners (Global Canopy, UNEP FI, and UNEP-WCMC) (2025). ENCORE: Exploring Natural Capital Opportunities, Risks and Exposure. [On-line], [October 2024], Cambridge, UK: the ENCORE Partners. Available at: https://encorenature.org. DOI: https://doi.org/10.34892/dz3x-y059.

For full details on ENCORE's methodology and limitations, see https://encorenature.org/en/data-and-methodology/methodology and https://encorenature.org/en/data-and-methodology/limitations

Materiality analysis was conducted at a subsector level and results for individual companies and locations may vary significantly.

Nature-related dependencies and impacts are highly location-specific and vary significantly by company strategy. Results should be considered exploratory and indicative only.

LCIV ACS fund holdings were mapped to ENCORE sectors using a GICS to ISIC crosswalk mapping provided by ENCORE. Where multiple ISIC sub-sectors were mapped to a single GICS sector, the average materiality rating was taken.

Forest500

Analysis of deforestation risk was conducted using Forest 500 assessment data 2025, Global Canopy, Forest500.org

MSCI

Data on ESG Controversies was provided by MSCI.

S&P Sustainable1

Data on flood risk and water stress was provided by S&P Global Sustainable1 under a Subscriber-wide License. S&P Global Sustainable1 is an affiliate of S&P Global Market Intelligence.

London CIV

Getting in touch with the team

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