Safeway Pension Scheme – Disclosures in respect of TCFD for the Scheme year ending 31 March 2024

Summary of this year’s report

The Trustee’s key objective is to manage the Scheme in a low-risk way and get to a position whereby benefits for all members are insured. We (the Trustee) manage the Scheme’s assets with this objective in mind and careful assessment of the climate related risks and opportunities is considered a key priority in this context.

Over the past year we have continued to work hard to understand and, where possible, measure the climate risks within the Scheme’s investments and take actions towards mitigating those risks.

The key highlights and findings of this TCFD report, which covers the Scheme year to 31 March 2024, are set out below.

The Scheme’s position

As at 31 March 2023 the Scheme’s uninsured assets were greater than £500m, albeit predominantly invested in cash, government bonds and illiquid credit assets. As such, whilst the Scheme currently remains in scope of the TCFD requirements, we expect to take a proportionate approach to the actions identified via our governance and risk management processes in order to account for climate-related issues. This report reflects the position as at 31 March 2024 for the Scheme, and we will continue to progress relevant actions that are important to the Scheme and our members as appropriate and in a manner that is proportionate to the Scheme’s size and situation.

Should the Scheme’s assets (when excluding insured assets) proceed to fall under the lower threshold of £500m at a subsequent year end date, the Scheme will no longer be subject to these requirements, and we may not produce a TCFD report. However, in this instance, we will continue to progress the key underlying actions that are important to the Scheme, its members, and us as appropriate and proportionate to the Scheme’s size.

Governance

There were no changes to the governance structure during the year or the responsibilities held.

The Scheme has a *Responsible Investment (“RI”)* policy in place that sets out our, as well as other relevant parties, approach to climate-related issues. There are several parties that provide us with advice and support, but we retain overall responsibility for the Scheme and managing relevant climate-related risks and opportunities.

The Statement of Investment Principles for the Scheme includes our approach to investment more broadly, including how Environmental, Social and Governance (“ESG”) issues are considered within this approach. This can be found on the Scheme’s website here.

During the year to 31 March 2024, the primary source of training on climate related issues was at our annual manager day in June 2023. At this meeting, our managers were invited to present on a range of issues, including the integration of climate related issues into the investment process and the risks/opportunities faced by the mandates.

We consider climate change to be a key risk to the Scheme and have embedded climate-related issues across our strategic decision-making and other governance processes. This includes the advice that is provided to us, training that is received and the Scheme’s risk management processes, which are described in more detail later in this report.

Strategy
In the first year of reporting, we agreed short-, medium-, and long-term time horizons relevant to the Scheme in order to support the identification of the mix of climate-related risks and opportunities that may manifest over these time horizons for the Scheme. We believe these time horizons are still applicable to the Scheme and so we have not changed them during the year. Further work regarding climate-related risks and opportunities over the chosen time horizons has included liaising with relevant advisors, the Scheme's investment managers and the Sponsor in order to ensure the risks identified cover the Scheme's strategy more broadly. This includes the funding of the Scheme, the Scheme's investment strategy and the Sponsor's *covenant*, as well as how these elements of the strategy interact.

We have undertaken work in order to understand the climate related risks within the Scheme's overall strategy and embedded consideration of these risks, where appropriate, within the strategy.

Given the Scheme's position, with respect to the high proportion of insured assets and remaining surplus as at the Scheme year-end, we are satisfied that the Scheme is resilient to climate-related risks across the scenarios considered last year and that climate scenario analysis did not need to be redone this year.

Risk management
We have a risk management policy in place that shows how climate is considered in all Scheme processes and integrated into overall risk management. We have a clear approach to the management of risks posed to the Scheme, which includes climate-related risks.

We have identified Environmental, Social and Governance issues (and, within this, climate-related risks) as a risk to the Scheme and there are clearly identified controls and actions in place to manage and monitor these risks.

We have embedded the consideration of climate-related risks into broader risk management approaches and consider climate risks as part of the Scheme's wider strategy across funding, investment, and covenant considerations. We have therefore agreed that no significant strategic changes are needed.

Metrics and targets
Building on our progress to date, we are working with each of our investment managers to agree the climate and wider ESG related metrics we want them to provide on a regular basis. We have selected a number of climate metrics by which to measure the Scheme's position and exposure to climate risks and opportunities. We are required under TCFD to select at least four metrics across a number of metric categories. We have continued to use four metrics, which are absolute greenhouse gas emissions, Weighted Average Carbon Intensity (WACI), data quality and availability, and portfolio alignment. This enables us to build up a clear picture of the Scheme's position with respect to climate-related issues.

An important aspect of mitigating climate risk will be reducing the greenhouse gas emissions of the Scheme's assets over time. We closely monitor carbon emissions in the Scheme's portfolio and have noted that the majority of funds in the Scheme now provide reporting on scope 1, 2 and 3 emissions for both absolute greenhouse gas emissions and WACI. However, data quality and availability did vary substantially across mandates, and reporting on portfolio alignment continued to be unavailable from the Scheme's investment managers.

For scope 1+2 emissions, we received total carbon emissions data for all mandates held by the Scheme, and WACI for all but one. Within non-insured assets, data quality was highest for our liquid funds, with reporting percentages between c.76-100% of assets held. This dropped to between c.7-27% of assets for illiquid funds, as there is much more limited data available for privately held assets. The reporting quality for the insured annuities was between these ranges, with data supplied on c.46-86% of assets.

Comparing these results to the targets set by the Trustee in the last TCFD report, the data quality of reporting has improved, with data now available for all mandates. However, the Partners Group funds are still short of the

"adequate" level targeted. The Trustee has engaged with Partners Group on this point and the manager has indicated they will be making their emissions reporting process mandatory for underlying borrowers in the coming year - previously it was optional, leading to the poor level of data quality. Both of the Scheme's liquid funds were new investments during this reporting period following a restructure of the Scheme's liability driven investment mandate with Insight (a segregated mandate moved into pooled funds). Using the 2023 target for the segregated portfolio as a proxy, the new pooled funds have outperformed the 'adequate' target and delivered 'excellent' data quality.

The data quality provided by the Scheme's insured annuities ranged from 'adequate' to 'excellent', meeting or exceeding the short term targets for the holdings. However, because the insurers only provided aggregated data at a total business level, data provided is inferred by taking the insurer's total assets and emissions and taking a proportion of the emissions equivalent to the Scheme's portion of the insurer's total business - this is used as a proxy to determine the emissions of each of the Scheme's insured annuities.

For Scope 3 emissions, six (out of nine) of the Scheme's mandates provided data on total carbon emissions and five provided data on WACI. The quality of this data was typically worse than the scope 1+2 emissions with four mandates providing no information on the underlying data quality, including all of the insured annuities alongside the pooled fully funded gilt funds. The highest quality data was provided by the Insight Sterling Liquidity Fund, however c.79% of the data was estimated. The data provided by the illiquid mandates was poor with broadly similar coverage to the data provided for scope 1+2 emissions.

Comparing the quality of data provided on scope 3 emissions to those supplied for scope 1+2, the quality is similar for the Scheme's illiquid holdings; however, they are worse for both the liquid assets and insured annuities. This was primarily due to managers not providing data on scope 3 emissions, and when supplied, a much greater percentage was estimated rather than reported. Despite this, in comparison to the previous year's report, there was greater coverage of scope 3 emissions allowing comparisons to be made in subsequent years. However, reporting of scope 3 emissions for the Scheme's assets needs to improve further to match the coverage delivered on scope 1+2 metrics.

Overall, data coverage has greatly improved in comparison to the previous year, however due to the limited data available for comparison, alongside changes to the composition of the Scheme's portfolio of assets, it is not possible to assess meaningful trends in the reported data. Following the expansion of data coverage, trend analysis in subsequent years will provide valuable insights on the Scheme's greenhouse gas emissions.

Furthermore, we also acknowledge that whilst there have been improvements in data coverage for the Scheme's investments, limitations persist due to the nature of some assets, particularly illiquid credit assets. Consequently, at the overall Scheme level, data on the Scheme's investments is not yet comprehensive enough to aggregate across asset classes, and we are unable to set a suitable emissions-based target and journey plan at this point in time.

Our utmost priority is to push for all managers to improve the level and quality of data they provide to us in relation to climate change over the upcoming year. We will monitor the progress and review the target set for the Scheme annually, along with the available data. This will help determine when a suitable emissions-based target might be set – that is, when the data has improved to the extent that it can be reliably used for broader decision-making.

Next steps

We will continue to progress relevant actions that are important to the Scheme and its members as appropriate and in a manner that is proportionate to the Scheme's size and situation. This will include using information about climate-related risks and opportunities to help inform decision making where appropriate.

Longer term, we will regularly review our approach to climate change and thus the policies and processes in place to embed climate-related issues across the Scheme's management. We will continue to develop the risk

management approach to climate-related risks and opportunities and include further detail on specific climate-related risks within the Scheme's risk register. We will undertake annual climate metric reporting against the chosen metrics for the Scheme and use this to both monitor performance against targets as well as aid in investment decision-making as appropriate.

The following pages provide detail on the Scheme's climate risk disclosures for the Scheme year ending 31 March 2024.

Introduction

This report sets out the approach of the Trustee ("the Trustee") of the Safeway Pension Scheme ("the Scheme") with regard to assessing, monitoring and mitigating climate-related risks in the context of the Trustee's broader regulatory and fiduciary responsibilities to their members. We (the Trustee) have established an Investment and Strategy Sub-Committee ("the ISSC") that assist us with all investment-related issues.

Climate Change

We believe that climate change is a systemic risk, and in order to ensure a sustainable future and to safeguard economic growth, that concerted global action is required to tackle the climate crisis. We are a long-term investor, and we believe that an important part of the mitigation of climate risk will be reducing the greenhouse gas emissions of the Scheme's assets over time. An essential part of mitigating climate risk and assessing investment opportunities is improved transparency on climate-related data and reporting. This leads to improved investment decisions, which in turn improves member outcomes. Therefore, we are supportive of any initiative that helps improve disclosures and enhances transparency.

The Taskforce on Climate-related Financial Disclosures ("TCFD") framework provides a structure for companies, asset managers, asset owners, banks and insurance companies to outline the steps they have undertaken to identify, manage and monitor climate-related risks and opportunities. The framework is designed to increase comparability but allow sufficient flexibility to communicate the specific approach adopted by each entity. As such, we support the TCFD recommendations.

From 1 October 2021, pension schemes above a certain size have been required to comply with the TCFD requirements for pension schemes. These requirements applied to the Scheme from 1 October 2022, as a scheme with assets in excess of £1bn as at the assessment date of 31 March 2021. This is our second disclosure in line with the TCFD and within it we comment on how we have progressed in our approach from the previous year's report.

Should the Scheme's assets (when excluding insured assets) proceed to fall under the lower threshold of £500m at a subsequent year end date, the Scheme will no longer be subject to these requirements. However, in this instance, we will continue to progress the key underlying actions that are important to the Scheme, its members, and us as appropriate and proportionate to the Scheme's size.

Background

The Taskforce on Climate-related Financial Disclosures was commissioned in 2015 by Mark Carney in his remit as Chair of the Financial Stability Board. The TCFD was asked to develop voluntary, consistent climate-related financial disclosures that would be useful in understanding material climate-related risks. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies with respect to how climate-related risks and opportunities are being managed. For the pensions industry, relevant guidance has been produced by the Pensions Climate Risk Industry Group (PCRIG).

The Task Force's report establishes recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.

The Task Force divided climate-related risks into two major categories: risks related to the transition to a lower-carbon economy; and risks related to the physical impacts of climate change. The TCFD report noted that climate-related risks and the expected transition to a lower carbon economy affect most economic sectors and industries, however, opportunities will also be created for organisations focused on climate change mitigation and adaptation solutions. The report also highlights the difficulty in estimating the exact timing and severity of the physical effects of climate change.

The Task Force structured its recommendations around four thematic areas that represent core elements of how organisations operate: governance, strategy; risk management; and metrics and targets. The four

overarching recommendations are supported by recommended disclosures that build out the framework with information that will help investors/stakeholders understand how reporting organisations assess climate related risks and opportunities. The disclosures are designed to make TCFD-aligned disclosures comparable, but with sufficient flexibility to account for local circumstances.

Purpose of this report

The Scheme held over £1bn in assets as at 31 March 2021, which was the date and threshold for which pension schemes were assessed in order to ascertain whether they have to report in line with TCFD.

This statement has been prepared in accordance with the regulations contained within The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and provides details of our approach against the four pillars set out by the TCFD:

- **Governance**: The Scheme's governance and oversight around climate-related risks and opportunities.
- **Strategy**: The actual and potential impacts of climate-related risks and opportunities on the Scheme's strategy and financial planning.
- **Risk management**: The processes used by us to identify, assess, and manage climate-related risks for the Scheme.

- **Metrics and targets**: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

As well as developing own reporting for TCFD, we prefer our underlying investment managers to be aligned with TCFD as part of their overall demonstration that ESG factors are being measured, reported and most importantly being used to inform all investment decision making. We will continue to monitor this through regular reporting and ongoing dialogue with the Scheme's managers.

We appreciate that the subject matter included within this report is complex and there are a number of technical terms and concepts that members may be reading about for the first time within this report. As such, we have included a Glossary as an appendix to this report which provides further explanation and detail on these terms.

Governance

Disclosure 1: Describe the Trustee board's oversight of climate-related risks and opportunities.

Climate risk and opportunities, as well as other climate-related issues such as policy directions, have been built into our regular activities wherever possible, to ensure that we maintain appropriate oversight of all relevant climate-related issues and related decisions.

Training

During the Scheme year to 31 March 2024, the primary source of training on climate related issues was at our annual manager day in June 2023. At this meeting, our managers were invited to present on a range of issues, including the integration of climate related issues into the investment process and the risks/opportunities faced by the mandates.

Further training will be undertaken as required to maintain our knowledge and understanding of the topic and how it applies to the Scheme.

Investment beliefs

We have a set of Responsible Investment ("RI") beliefs in place for the Scheme, which include climate-related beliefs. These beliefs are documented in the Scheme's RI policy. We expect to review other Scheme documentation, including objectives and decision-making framework, to embed these beliefs within the wider Scheme governance.

We plan to review these beliefs at a high-level on an annual basis, with a more in-depth review being undertaken on a three-year basis. There were no changes to our RI beliefs in the Scheme year covered by this report.

Responsible Investment Policy ("RI Policy")

We have prepared and agreed a formal RI policy for the Scheme that outlines our approach to climate-related issues and further details on oversight of climate risks and opportunities. The policy also sets out roles and responsibilities relating to climate-related issues and how these are brought to our attention. There were no changes to the RI policy in the Scheme year covered by this report.

Trustee responsibilities and oversight

We have overall responsibility for ensuring that RI considerations, including climate change, are taken into account, where relevant, in all areas of the Scheme's management and retain overall responsibility for the setting and implementation of the Scheme's RI Policy (as set out in the Scheme's Statement of Investment Principles). This includes responsibility for ensuring all regulatory requirements are met and that the Scheme's governance processes are sufficient to ensure the proper management of all ESG related risks. There were no changes to the roles and responsibilities regarding climate-related risks and opportunities in the Scheme year covered by this report, nor any changes in the way in which we retain oversight of other parties in this respect.

Delegation

In fulfilling our duties, we have delegated certain responsibilities to other parties. The parties with a role in the Scheme's management, how they incorporate the identification, assessment and management of climate related risks and opportunities into that role and the methods we use to assess each party is set out further in this document below.

Oversight of the Investment and Strategy Sub-Committee ("ISSC")

This includes delegating the formal monitoring of Scheme investments to the ISSC, who meet on a periodic basis, and at least annually to discuss the investment objectives, investment management structure and policy direction of the Scheme's assets, thus including the overall *RI* Strategy of the Scheme and its implementation.

Implementation of the overall investment strategy, including implementation of the Scheme's *RI* Policy is delegated to the ISSC. The ISSC are responsible for developing the *RI* policy, associated implementation process and a monitoring framework for assessing progress against stated *RI* goals. The ISSC have Terms of Reference in place that cover the responsibilities they have with respect to RI.

The ISSC reports to us on a regular basis at Trustee meetings which are held at least three times a year, and recommend any further action. We remain responsible for reviewing the content of the *RI* policy and monitor developments that may affect the approach to the investment of the Scheme, such as the appropriate *RI* considerations.

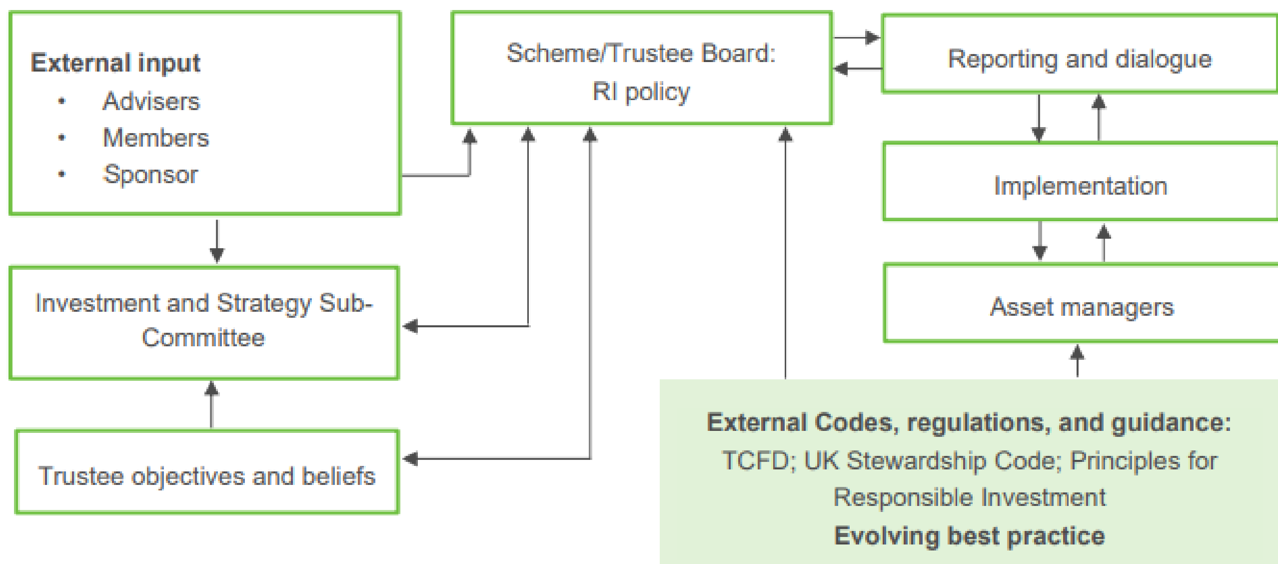
We recognise that the overall responsibility for managing the Scheme, including managing the Scheme with respect to climate-related issues and oversight of any delegated responsibilities, lies with us.

Oversight of the Scheme's investment managers
There are a number of responsibilities delegated to the investment managers of the Scheme's assets. These asset managers are monitored on an ongoing basis by us with a specific focus on climate-related issues undertaken by the ISSC. Our investment consultant assists with the ongoing monitoring of the investment managers, including rating the approach of the managers with respect to climate related issues. This includes a documented review of the Scheme's investment managers' approach and governance to climate-related issues.

Oversight of the Scheme's advisers
We, and the ISSC, also receive advice and support regarding *ESG* and climate related risks and opportunities from its investment adviser, Hymans Robertson and Actuarial advisers, Aon. As part of their work, the Scheme's advisers also identify climate related risks and opportunities for the Scheme and report to us as appropriate.

Oversight of the Scheme Sponsor's approach to climate change
The Scheme's Sponsor, Safeway Limited, maintains responsibility for the ongoing funding of the Scheme. The Sponsor will be consulted by us in the development of strategy, including any high-level commitments made by us that could have a direct or indirect impact on the funding of the Scheme or the reputation of the Sponsor. We maintain an ongoing dialogue with the Sponsor to ensure both parties are aware of each other's approach in this area. We ensure those issues relevant to the Scheme are considered where appropriate and aim to ensure synergy between the Scheme and Sponsor's approach to climate related issues.

The below diagram explains how the Scheme's *RI* policy and key parties inform the Scheme's approach to RI.



Disclosure 2: Describe the Trustee's roles in assessing and managing climate-related risks and opportunities.

There are a number of parties with a role in the Scheme's management and how they incorporate the identification, assessment, and management of RI, and in particular climate related risks and opportunities. These parties and their role in the Scheme's overall approach to climate-related issues, including the assessment and management of climate risks and opportunities, is set out below alongside with the methods we use to assess each party.

Additionally, we maintain ongoing dialogue with the Scheme Sponsor, including updates provided by a Sponsor representative at each Trustee meeting. This dialogue includes the Sponsor's approach to climate-related issues to ensure those relevant to the Scheme are considered where appropriate and ensure synergy between the Scheme and Sponsor's approach to climate related issues. There were no changes to the roles in assessing and managing climate-related risks and opportunities in the Scheme year covered by this report.

The Trustee

We (the Trustee) oversee the management of the Scheme's strategy, assets, and investments. We have established an Investment and Strategy Sub-Committee comprising of at least five members of which at least three of whom must be Directors of the Trustee Board.

We are accountable for the investment strategy and implementation of the Scheme's assets, including the integration of *RI* considerations. We are the ultimate owner of the Scheme's *RI* Policy. We also have responsibility to ensure appropriate levels of resource to complete all *RI* associated requirements, including *TCFD* reporting. We annually review our own role and responsibilities as well as those of the service providers to the Scheme.

Investment and Strategy Sub-Committee ("ISSC")

The ISSC is a sub-set of the Trustee Board. The ISSC has a number of key aims that span broader investment issues, but the key aims of the ISSC relating to *RI* are to identify and carry out all key tasks required to enable us to:

- Act in line with the beliefs and principles set out in our agreed *RI* policy.
- Continue to progress towards becoming more active in all areas of RI.
- Meet the requirements of the new climate related regulations that came into force from October 2021.

The ISSC have agreed Terms of Reference ("ToR") which set out the composition and key responsibilities of the Committee.

The ISSC provide updates to us at our Trustee Board meetings, which are held at least three times a year.

In-house Pensions Team

The Pensions Team support us arranging meetings and taking forward agreed actions between meetings. The Pensions Team also has responsibility to ensure appropriate levels of resource to complete all *RI* associated requirements, including *TCFD* reporting.

Investment Advisers

The Scheme's investment advisers, Hymans Robertson, are responsible for assisting us, and the ISSC, to ensure climate related risks and opportunities are embedded into all investment decisions. They provide advice and training to us and the ISSC regarding regulatory requirements and are expected to incorporate *RI* considerations into any advice regarding strategy changes and/or manager appointments.

We have set objectives for the Investment Adviser which include objectives relating to the adviser's support in all *RI* considerations. The Investment Adviser is assessed against these objectives annually and the objectives themselves are assessed regularly to ensure they remain appropriate.

Actuarial Advisers and Covenant Advisers

The Scheme's Actuarial advisers, Aon, are responsible for identifying any *RI* considerations which should be incorporated into the Scheme's funding strategy (both short and long term) and in the Scheme's integrated risk management plan. This will include the setting of individual financial and demographic assumptions and also our assessment of the *covenant* of the sponsor.

Investment Managers

The Scheme's investment managers are expected to integrate *ESG* considerations, to the extent possible, into their management of each of the Scheme's mandates.

On the appointment of any new manager, the ISSC assesses each manager's *RI* capabilities, with assistance from our investment adviser, to determine if that manager's approach is aligned with our *RI* Policy. Once appointed, we, and the ISSC, monitor all managers regularly, assessing each manager's *RI* processes and policy at the annual Manager Day. Managers are challenged on any issues identified. The ISSC also liaises with the investment managers in relation to *RI* matters, as required.

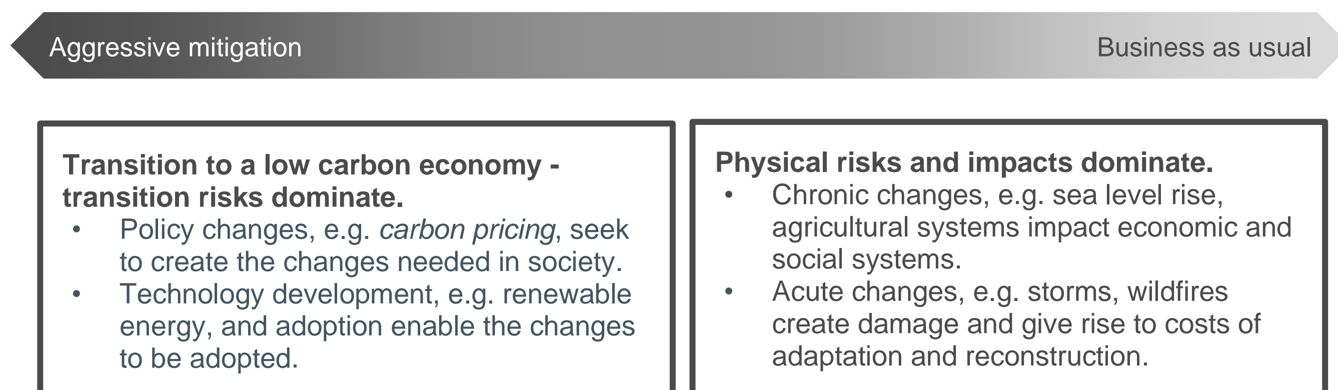
Scheme Sponsor

Our assessment of the *covenant* of the Sponsor is undertaken through ongoing dialogue with the Sponsor. The Sponsor, within their communication to us, support us in identifying any climate considerations which should be incorporated into the Scheme's strategic discussions and in the Scheme's integrated risk management plan.

Strategy

Disclosure 1: Describe the climate-related risks and opportunities the Trustee have identified over the short, medium and long-term.

When considering the impact on the Scheme, climate risk can be defined as the potential impact on future financial returns that may arise from climate change. Climate risk is typically split into two parts – transition risk and physical risk. These risks may vary in likelihood and intensity over different time horizons and dependent on how quickly, and how well, the world transitions to a low-carbon economy. This is laid out in the diagram below:



We are a long-term investor. Given the nature of climate change and the time-horizons over which impacts of climate change may be felt, it can be expected that climate risk will impact the Scheme in various ways. However, it is important first to define the different time-horizons which may be considered, in order to clarify whether the different risks and opportunities arising from climate change may impact the Scheme in the short-, medium- or long-term.

In the context of the Scheme, this report refers to short, medium and long-term time horizons. We have defined what these time-horizons mean for the Scheme in more detail as set out below:

Short-term time horizon: One year rolling period (i.e. to 31 March 2025)

We have chosen a one year rolling period as the short-term time horizon for the Scheme. The rationale behind this included consideration of the expected risk transfer plans for the Scheme at the time of setting this time horizon. We also recognised that having one-year short term interim targets for the Scheme, as well as undertaking other relevant activities on an annual basis, thereby meaning that a one-year period is well aligned to the annual nature of TCFD actions and reporting.

Medium-term time horizon: Three years from 31 March 2023 (i.e. to 31 March 2026)

Although short in the context of member lifetimes, when taking into account the option for the Scheme to possibly buy-out and wind-up in future, we have chosen 3 years as a medium-term time horizon. This in line with the Scheme's actuarial valuation cycle, as well as the triennial nature of other required Scheme actions, such as investment strategy reviews and the requirement to undertake scenario analysis on an at least a triennial basis.

Long-term time horizon: Ten years from 31 March 2023 (i.e. to 31 March 2033)

The above time horizon was chosen reflective of the Scheme's option to consider moving to buy-out in the coming years but balanced with, and building in, the potential for longer term considerations such as expected member lifetime and the long-term approach to climate risk of the chosen insurers.

We are satisfied that the time horizons agreed last year and as set out above are still suitable for the Scheme; thus they have been retained. The future suitability of time horizons for the Scheme may change and so we will continue to monitor and review the appropriateness time horizons as required.

Consideration of climate-related risks and opportunities over the chosen time horizons

Transition risks are expected to feature more prominently over shorter-time periods. This view is predominately driven by the likely escalation in climate change regulation over the short to medium term. Over longer periods, physical risks are expected to feature increasingly – however the balance between the transitional and physical risks experienced will depend on the approach taken to climate change and the speed with which the world transitions to a low-carbon economy. Both transition and physical climate risks will likely manifest during the lifetimes of the Scheme's membership as a whole.

Risks relating to climate change are identified through the various processes involved in managing the Scheme, which are set out in the Risk Management section of this report.

Climate risks may be identified, assessed, and monitored in a number of different ways. These approaches include looking at climate risks and opportunities in detail for each asset in which the Scheme invests. We assess climate-related risks and opportunities when setting investment and funding strategy, considering *covenant*, to ensure a holistic and consistent approach. Table 1 sets out a summary of the key climate-related risks that have been identified and are being monitored. This table identifies climate risks at the total Scheme level, looking at high level impacts on strategy, funding, and *covenant*. As part of this process, we engage with our advisers and investment managers on possible management of the risks and other improvements that can be made.

Investment mandates

With respect to the Scheme's investments, we typically refer to investment mandates. An investment mandate is an instruction to an asset manager on how the Scheme's money may be invested. So, an individual mandate is set for each investment fund that the Scheme has across the Scheme's investment managers. Investment mandates that the Scheme holds can be characterised in a number of ways, one way being between 'passive' and 'active' mandates.

Passive mandates are funds that typically track an index (or benchmark), both in terms of stock selection as well as expected return. In passive mandates, we recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal discretion to take account of factors that may be deemed to be financially material. We accept that the role of the passive manager is to deliver returns in line with the market.

Active mandates have a more 'hands-on' approach, whereby a portfolio manager makes choices on the stock selection of the fund in order to try and beat the market return. In active mandates, we recognise that the manager has freedom to exercise discretion as to the choice of assets held. We expect the manager to consider all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.

How climate-related risks and opportunities impact the Scheme's strategy

Table 1 overleaf sets out a summary of the key risks we have identified for each area of the Scheme's strategy. We use a RAG (red, amber, green) status to assess the impact of these risks over the short-, medium- and long-term where red is severe impact and green is low impact. This assessment was undertaken last year, but we have no reason to believe it is no longer appropriate.

Table 1 – Identified climate risks to the Scheme

Risk areas	Climate Risks			
	Identified Risks	Impact		
		Short term	Medium term	Long term
Investment	Short/medium term, exposed to climate risks through investee companies in remaining return seeking assets and non-government matching assets. Long term plans will see continued exposure to UK Government, investee companies in non-government matching assets and insurers via buy-ins. Currently the UK Government has set *net zero* target of 2050, but policy and politics may influence the chance of achieving this. Long term ability to reduce carbon footprint of portfolio will be linked to UK Government policy.			
Funding	Longevity impact from climate change and potential uncertainties in the funding assumptions introduced by climate risk. Impact of climate risk on longevity trends will take time to emerge so might expect minimal impact short term with the greatest impacts longer term. The majority of the liabilities are now insured so any impact from changing longevity is expected to be minimal. Inflation and interest rate changes will impact the residual liabilities of the Scheme, but these liabilities are well hedged so not considered a material climate-related risk.			
Covenant	Company not delivering strategies for tackling climate change and / or emergence of key climate risks identified impacting *covenant* strength. However, the reliance on the covenant is very low, thereby significantly reducing the potential impact of this risk.			

Risk management and controls

As at the Scheme year end of 31 March 2024, c.84.1% of the Scheme's assets were held in insurance contracts. The most recent audited Report and Accounts have provided values of the annuity policies as at 31 March 2023. This amounted to c.£2,174.7m of the total assets of £2,579.8m for the Scheme. At the time of writing this report the figures for 31 March 2024 are unaudited, so may change slightly. We consider both the investment and funding aspects of the Scheme benefits to which the insured assets relate to be well managed with respect to potential impacts of climate change over the short, medium and longer term, in particular due to the nature of buy-ins.

Of the remaining assets, c.£200m (c.8% of the total Scheme assets) are held in pooled gilt funds and cash, which will be subject to the risks in respect of the UK Government. However, we are comfortable that this portfolio is also well mitigated against the impacts of climate-related risks at an overall strategy level due to the expectation that the assets of the portfolio will broadly match the liabilities to which they relate (the residual unequalised benefits). As a result, only c.8% of the Scheme's assets remain invested in non-Government and non-cash assets at the point of writing this report. These are invested in illiquid credit assets.

With the Scheme being predominantly bought in, we consider the funding and investment strategy of the Scheme to have low potential for climate-related impacts. The reliance on Sponsor covenant also continues to be low over the short, medium, and long term.

Disclosure 2: Describe the impact of climate-related risks and opportunities on the Scheme's strategy and financial planning.

The *systemic* nature of climate change risk has the potential to reduce returns across all asset classes and will have a *macro-economic* impact that could affect the entire Scheme. Equally, however, the need to transition to a *low carbon economy* and the innovation that will be required presents several potential investment opportunities.

Over recent years we have spent time and resource embedding climate risk and opportunities, as part of broader *ESG* issues, within our investment processes. This has largely been in the form of engaging with the Scheme's investment managers and, when setting investment strategy, considering the resilience of the investment strategy to climate change risks.

We have identified a number of actions that will be important to undertake to manage climate risk as well as progress against the targets and commitments we have agreed for the Scheme. Examples of these actions, which include actions already being undertaken by us and relevant parties as described in Governance disclosure 2, include:

- Enhance the management of *ESG* issues and climate change, including new potential investment products;
- Improve data credibility and manager engagement on mandates that are expected to form part of the longer-term strategy; and
- Assign owners for specific mandates that are responsible for ensuring mitigation actions are progressed and monitored across the agreed timescales.

We have already been undertaking several activities to support these actions and manage climate risk to the Scheme. These actions include:

- Our investment advisors engage with each of the Scheme's investment managers to understand how that manager integrates climate change and other ESG risks and opportunities into their investment process.
- We have agreed climate targets and will monitor performance against these targets on an ongoing basis, with this performance being considered as part of regular strategy reviews.
- Monitoring the Government's approach to how pension schemes should take climate-related issues into account via statutory guidance and legislation;
- Holding annual meetings with each of the Scheme's investment managers to understand how that manager integrates climate change and other *ESG* risks and opportunities into their investment process;
- When assessing strategy changes to be taken for the Scheme, we have considered the climate risks and *ESG* characteristics of each mandate when selecting the types of investment to increase/reduce exposure to; and
- By including specific references to ESG and climate-related risks within the objectives of our strategic advisors, as well as receiving frequent training on the management of climate-related risks and opportunities.

Disclosure 3: Describe the resilience of the Scheme's strategy, taking into consideration different climate-related scenarios, include a 2C or lower scenario.

Climate change has the potential to pose both material risks and opportunities to pension schemes over the longer term. We therefore consider it an important factor when thinking about the management of the funding and investment strategies. Given the Scheme's strong funding position and limited reliance on the Sponsor, we believe the Scheme's current strategy is broadly resilient, assuming the financial system continues to function effectively.

However, in order to assess the resilience of the Scheme's investment strategy to climate risk, we performed high-level qualitative climate scenario analysis of the Scheme's strategy last year, taking into account the position of the Scheme as at 31 March 2023 and the proportion of the liabilities that are insured. The scenario analysis considered the impact on strategy under three scenarios, which differ by how quickly and decisively the world responds (or fails to respond) to climate change.

This analysis considers the resilience of the Scheme's strategy over the short-, medium- and long-term time horizons to these climate scenarios, which estimate the impact to the Scheme of temperature rises equivalent to 1.5°C, 2°C and 4°C above pre-industrial times, as detailed in the scenario graphic below. The high-level results of the scenario analysis are:

- The Scheme could see small reductions in funding under all scenarios, but at different points in time. This is primarily due to the time periods over which these scenarios would manifest.
- However, at the point in time when the potential risks and related impacts may manifest under the delayed transition and head in the sand scenarios, the Scheme is expected to have more/all benefits insured and therefore the funding strategy of the Scheme will not be impacted.
- Regardless, we will carefully monitor the funding position and strategy of the Scheme with care to which of the above scenarios may be most likely to occur and, when appropriate, adjust in order to best mitigate against the mix of transition and physical risks that could manifest.

Aggressive mitigation ← → Business as usual

Green Revolution	Delayed Transition	Head in the Sand
Concerted policy action starting now e.g. carbon pricing, green subsidies Public and private spending on "green solutions" Improved disclosures encourage market prices to shift quickly Transition risks in the short term, but less physical risk in the long term High expectation of achieving <2°C warming	No significant action in the short-term, meaning the response must be stronger when it does happen Shorter and sharper period of transition Greater (but delayed) transition risks but similar physical risks in the long term High expectation of achieving <2°C warming	No/little policy action for many years Growing fears over ultimate consequences leads to market uncertainty and price adjustments Ineffective and piecemeal action increases uncertainty Transition risks exceeded by physical risks Low/no expectation of achieving <2°C warming

Timing of disruption: Immediate → 10+ years

Intensity of disruption: High → Very high

Further details of the scenario analysis performed, the considerations of the analysis and outputs in more detail have been included within appendix II.

Climate Scenarios – Conclusions

Based on the specific scenarios considered and thinking about potential funding impact, we believe the current funding position provides a sufficient buffer to withstand potential risks, and even some combination of risks, and still secure the underlying benefits. However, if impacts were more extreme in practice, there could be a risk of not meeting benefit payments in full if this happened in combination with covenant failure.

Most of these more extreme scenarios represent systematic risks and we cannot remove them on our own. Therefore, we will continue to monitor the Scheme's position and strategy to ensure that the Scheme remains resilient, and undertake appropriate actions, where possible, to improve this resilience.

Other areas of monitoring will include i) continued engagement with the Sponsor on progress towards its own climate targets along with potential risks faced, and ii) assessment of climate considerations as part of any further insurance transactions.

We will consider whether to refresh the analysis on an annual basis, stating whether or not we choose to do so, and why, in the relevant TCFD report covering that period. We have reviewed the scenario analysis undertaken last year and concluded that it is not necessary to refresh the analysis this year. In addition, with the majority of the Scheme's liabilities being bought in, we consider the funding and investment strategy of the Scheme to have low potential for climate-related impacts and further supports that a refresh of the scenario analysis is not required this year.

Risk management

Disclosure 1: Describe the processes for identifying and assessing climate-related risks.

As part of our responsibility for the setting and implementation of the Scheme's RI Policy, we must ensure that ESG related risks, including climate change, are identified, assessed and effectively managed. Therefore, it is crucial that the management of these risks is integrated into the overall risk management of the Scheme.

We delegate aspects of this responsibility to other parties, but retains overall oversight, as set out previously in the Governance section of this report. Below, where ESG risks are referred to more broadly, this will include consideration of climate change risks.

Risk management framework

The Scheme's risk management framework takes the form of a Risk Register which is monitored periodically under the delegated authority of the ISSC. We still retain all oversight over risk management and continue to receive risk management updates.

At a simple level, our risk management process comprises identification, assessment, monitoring and control of risk. We currently take a top-down approach to risks management, which uses the overarching elements of Scheme strategy – i.e. funding, investment and covenant as the starting point for our risk management process.

Risk identification

Climate risks are identified by us and our advisers as appropriate. Risks relating specifically to climate change are discussed by the ISSC. Information from several sources is used to help identify risks and we, and our advisers, are responsible for identifying risks as appropriate.

Once risks are identified, they are then evaluated and prioritised based on the overall threat posed to the Scheme. This helps us build up a picture of the Scheme's risks more widely and where climate-related risks sit in the overall risk management framework.

We also consider the risks of the individual assets that the Scheme is invested in. This is known as a bottom-up analysis. In this instance, the Scheme's investment managers are also responsible for the identification and assessment of climate related risks and opportunities. This approach will use available information to assess the potential impact of climate-related risks to investment performance, including any climate metrics available for the assets.

Risk identification as part of broader processes

ESG and, in particular, climate related risks can be identified by various parties including ourselves, investment managers or the Scheme's advisors as part of the ongoing management of the Scheme. ESG risks are identified as part of the following processes:

- **Investment strategy reviews** – We consider ESG risks as part of the Scheme's regular investment strategy reviews that are carried out alongside each Actuarial Valuation and on an ad hoc basis as required. These reviews cover the extent to which social, environmental and governance considerations are considered in the selection, retention and realisation of investments. The Scheme's investment advisers are expected to integrate ESG considerations into their strategy advice and to highlight any key risks that are included within any potential investment strategy.
- **Valuations and covenant reviews** – We also consider ESG risks as part of the triennial Actuarial Valuation process ensuring that this analysis considers the funding, covenant and investment risks in a joined-up way. The Scheme Actuary will incorporate the consideration of ESG risks in the actuarial assumptions advice and any projections which are considered to evaluate the possible long-term funding outcomes for the Scheme. When assessing the Sponsor's covenant, we intend to consider the ESG risks to the Sponsor.

- **Considering asset classes** – When assessing new asset classes, potential ESG risks are assessed and discussed as part of the training provided to us. Key ESG risks are taken into account when comparing alternative options.
- **Selection of investment managers** – When appointing a new investment manager, the Scheme's investment adviser provides information and their view on each manager's ESG policy and capabilities. Each manager is also asked to provide information regarding their own ESG risk management processes as part of the selection process. This information allows us to identify potential risks when comparing potential providers. The Scheme's RI policy also requires Investment Managers to engage on ESG issues, rather than divest.
- **Individual mandates and investments** – We also undertake risk analysis at the individual asset level and have adopted enhanced management of ESG issues and climate change, including new potential investment products. In this instance, the Scheme's investment managers are responsible for the identification and assessment of ESG, including climate-related risks and opportunities and should be identified and disclosed to us in the following ways:
    - As part of their regular reporting;
    - During their presentations when attending Trustee meetings;
    - By providing climate metric data in line with the TCFD requirements.

We are communicating with each of the Scheme's current investment managers to gain a more in-depth understanding of each manager's process and the risks inherent in each of the current mandates.

Any key risks identified are discussed and are listed on the Scheme's risk register to be monitored on an ongoing basis and reviewed more formally on a periodic basis.

We note that evaluation of ESG related risks and opportunities is based on relevant information and tools being available, as well as the quantification of ESG and climate-related risks and opportunities being a developing area based on continuously emerging information. We actively engage with all managers to promote improvement in this area.

Disclosure 2: Describe the Scheme's processes for managing climate-related risks.

Prioritising risks and agreeing actions

Once risks are identified and added to the Risk Register, they are then evaluated and prioritised based on the overall threat posed to the Scheme.

We prioritise risks based on the size, scope and materiality of the risk event. This includes rating the likelihood and impact of the risk event to produce a score reflecting the threat that the risk event poses to the Scheme, then deciding on the appropriate action (mitigation, control or acceptance) based on this score and available courses of action. Rating the risk's likelihood and impact may be informed by scenario analysis and calculated metrics where relevant. This helps us build up a picture of the Scheme's risks more widely and where *ESG* risks sit in the overall risk management framework.

Risks and opportunities should be considered in absolute terms and in relation to the risk appetite of the Scheme. Risk appetite can be defined in terms of a willingness to take risk or the acceptability of risk.

Once the risks facing the Scheme have been considered and prioritised, mitigation strategies will be established and monitored to ensure that they remain effective. We will delegate the management of certain risks to other parties, as set out in the Governance section. Risks that are deemed to be high in likelihood, impact, or both after allowing for mitigating controls are deemed to take priority for future action.

An action in the context of risk management will aim to either introduce an additional control to mitigate the likelihood of a risk occurring or reduce the impact of a risk should it occur. This discussion will also consider whether additional training is required.

Expectations of investment managers

Our expectations of the investment managers with regard to the integration of *ESG* risks are set out in the Scheme's Statement of Investment Principles (SIP) and RI Policy. These documents are shared with the Scheme's investment managers who are asked to report regularly on how their strategy is aligned our intentions and to discuss any investments which do not comply with these policies. We monitor the *ESG* activities of all managers through regular reporting and meetings, as set out above.

In summary, all investment managers are expected to:

- be aware of the investment risks and opportunities associated with climate change;
- incorporate climate considerations into the investment decision making practices and processes; and
- monitor and review companies and assets in relation to their approach to climate change.

We engage with current investment managers where risks have been identified to agree a plan of action through the ISSC. This may include setting specific targets for certain mandates and more regular monitoring of mandates at higher risk. In some circumstances, this could include instructing managers to disinvest from certain investments or by disinvesting from specific investment mandates.

Stewardship, engagement and voting

The Scheme's approach to stewardship is also a key aspect of the management of climate-related risk. We expect our investment managers to consider and take appropriate steps to manage climate-related risks within their funds, including engagement with underlying investee companies on their management of climate risks.

We have processes in place by which investee companies are engaged with on climate-related issues. This is done through delegated engagement via the investment managers and ongoing monitoring of this engagement activity undertaken by us and our investment advisor. In addition, we, with the assistance of our investment advisers, prepare an annual Implementation Statement which assesses the engagement and voting activities of investment managers and is used to monitor managers' activities in this area.

Disclosure 3: Describe how processes for identifying, assessing and managing climate-related risks are integrated into the overall Scheme's risk management.

As set out under Risk Management Disclosure 1, the management of *ESG* risks is integrated into the Scheme's current risk management processes in the following ways, with all risks considered in the context of the overall risks inherent in any strategy:

- **Valuations and *covenant* reviews** – When assessing the employer's *covenant* we review the Sponsor's plans to manage the *ESG* risks identified. We consider the extent to which any adjustment is needed to the funding approach or strategy as a result of any *ESG* risks identified through the "identifying" stage described above. This will be considered in the context of the investment and *covenant* risks faced by the Scheme and may consider the appropriateness of actuarial assumptions and of overall security provided to the Scheme.
- **Setting strategy and choosing asset classes** – Determining whether exposure to any asset class should be reduced, increased, or avoided in light of the *ESG* risks identified.
- **Selection of investment managers** – We consider whether or not to invest with managers whose mandates are expected to introduce an unacceptable level of risk or who do not have adequate processes for the identification and management of *ESG* risks.
- **Monitoring current investment managers / Individual mandates and investments** – We expect the Scheme's investment managers to manage the *ESG* risks identified within their own mandates by:
  - Integrating the analysis of these risks into the overall assessment of any potential investment.
  - Engaging with investee companies where risks have been identified, to understand and encourage their management of *ESG* and in particular climate related risks.

We set the overall strategy and risk budget for the Scheme, including the integration of climate change within the Scheme's investment strategies.

Metrics and targets

Disclosure 1: Disclose the metrics used by the Scheme to assess climate-related risks and opportunities in line with its strategy and risk management processes.

We receive reporting on a quarterly basis from managers, which includes a variety of climate-related metrics. We believe it is important to consider a variety of metrics on a holistic basis, covering both forward and backward-looking metrics. Metrics and targets set for the Scheme's assets are implemented to be meaningful and to provide the information to understand the risks faced and to make informed decisions about the resulting actions to be taken.

This report focusses on the mandatory metrics which all pension schemes are asked to monitor and report against for *TCFD* purposes. We appreciate that no single metric is perfect and therefore monitor a suite of metrics. This approach enables taking a more holistic view of the risks facing the Scheme's investment strategy and, through that, the Scheme's strategy more broadly.

Carbon equivalent risk metrics will expect to form an important part of the Scheme's investment decision-making process to measure, manage and disclose climate risk. The selected metrics will also aid us in identifying opportunities for further engagement with investment managers and underlying investee companies.

In the first year of TCFD reporting, we determined the metrics for annual reporting. As part of the Scheme's second TCFD report, we reviewed the selected metrics and believe the metrics continue to be in line with the requirements:

Table 2 – the chosen climate-related metrics for the Scheme

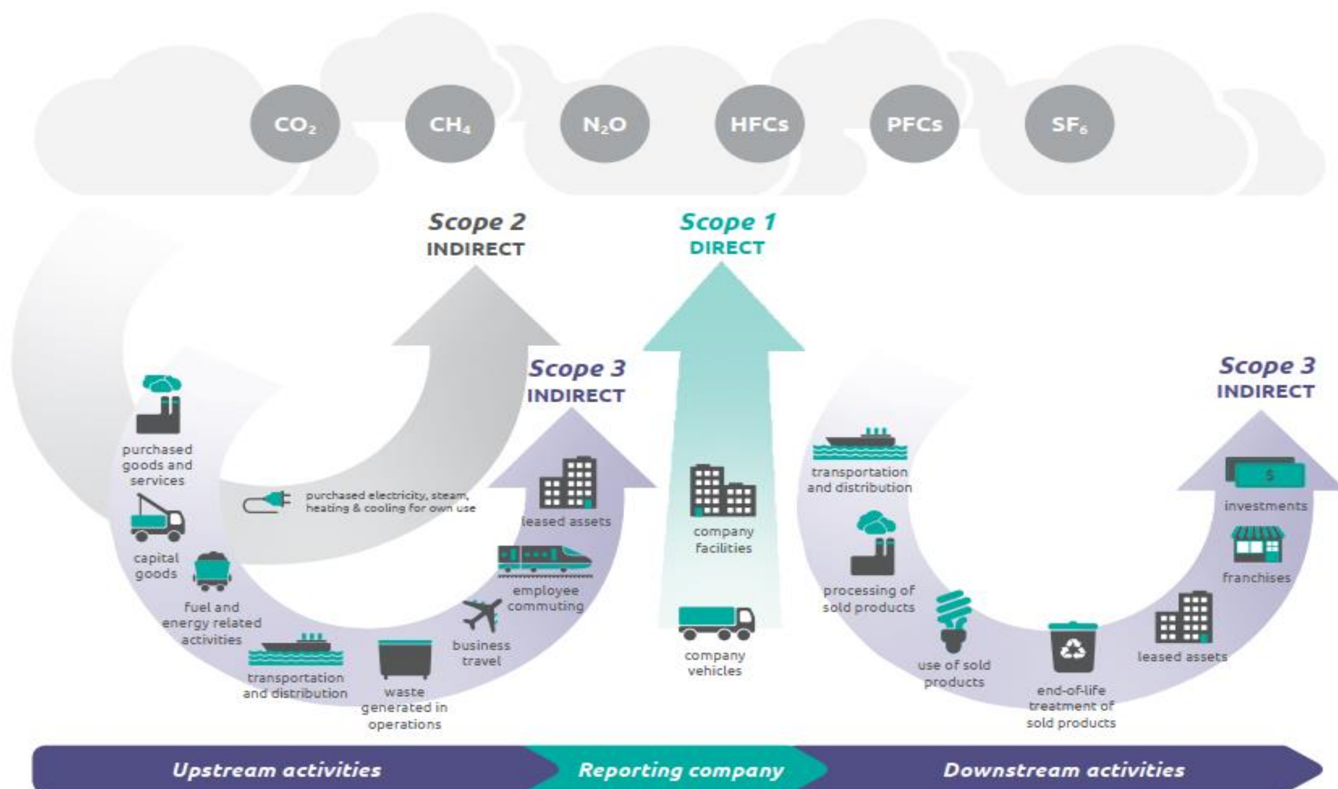
Type	Metric	Measurement
Absolute Emissions Metric	Total Greenhouse Gas (GHG) emissions	The volume of *scope 1* and *scope 2* emissions from the Scheme's assets – Measured in tons of $CO_{2e.}$
Emissions Intensity Based Metric	Weighted Average Carbon Intensity (WACI)	The volume of *scope 1* and *scope 2* emissions per unit of sales for each portfolio company, weighted by the size of allocation to each company within the Schemes' assets – Measured in tons CO2e per £m invested
Additional climate change metric (non-emissions based)	Data quality	A measure of the level of actual and estimated data available from the Scheme's managers. Measured per mandate - % of mandate for which there is actual, estimated or no data.
Portfolio alignment metric	*Binary target measurement*	Measured as the % of portfolio at year end with specific *net zero* targets

Many climate-related metrics are based on the level of *Greenhouse Gas* (GHG) emissions that are related to a particular asset or investment. GHG emissions are categorised into 3 scopes:

- ***Scope 1*** - All direct GHG emissions from sources owned or controlled by the company (e.g., emissions from factory operations).
- ***Scope 2*** - Indirect GHG emissions that occur from the generation of purchased energy consumed by the company.
- ***Scope 3*** - Indirect emissions that arise as a consequence of the activities of the company e.g. supply chains and the use and disposal of their products. These are sometimes the greatest share of a carbon footprint, covering emissions associated with business travel, procurement, production of inputs, use of outputs, waste and water.

There is overlap on emissions data between different companies and between companies and governments on some measures. As a result, aggregate total greenhouse gas emissions reported across all investments may include some double counting in relation to the actual level of greenhouse gas emissions, especially as the coverage continues to expand and *Scope 3* is fully included. For example, fossil fuels sold by a producer to a utility to generate electricity would be *Scope 3* for the producer, *Scope 2* for the electricity consumer and *Scope 1* for the utility. In addition, if the basis for attributing emissions to government bonds was total country emissions they are also included in the government bond emissions for the relevant country.

The different scopes of emissions are also demonstrated by the diagram below:



(Source: Greenhouse Gas Protocol)

Although we are currently gathering Scope 3 data for the Scheme's investments where available, this is currently not well reported on. We have split out the Scope 3 data in this year's report in order to be clearer as to where data gaps lie/due to lack of information received by managers/due to lack of reported data. As noted in disclosure 2 below, we will look at ways to improve the data gaps in future TCFD reporting.

We will seek to obtain information, where it is currently missing, for future assessments. In the meantime, the results of the above metrics have been understood to be reflective of the portfolio, but the limitations of data availability are noted when using the metrics for decision-making purposes.

Disclosure 2: Disclose Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions, and the related risks.

We have requested information on the chosen metrics for the Scheme during the year to 31 March 2024 from the Scheme's managers. Only some of the managers were able to provide this data during the year. Hence the picture is not yet complete for the Scheme and we plan to continue engaging with our investment managers to improve the quality of data.

Table 3 below sets out a summary of the GHG emissions data provided by investment managers and the measurement of each metric using this data, with scope 1 and 2 emissions metrics being set out in table 3 and Scope 3 emissions being set out in table 4. The other metrics chosen for the Scheme were also measured, as shown in table 5.

Table 3 – emissions metrics for the Scheme (Scopes 1 & 2)

Mandate	31 March 2024		Total carbon emissions (tCO2eq)	Weighted Average Carbon Intensity
	Value (£m)	Proportion (%)		
M&G Illiquid Credit Opportunities Fund V	148.3	5.7	302.4	31.4
Partners Group MAC 2015*	5.8	0.2	4.4	2.8
Partners Group MAC 2016*	11.1	0.4	24.9	13.4
Partners Group MAC 2019*	39.0	1.5	556.4	239.9
Insight Fully Funded Gilts	50.1	1.9	8,540.3	99.2
Insight Sterling Liquidity Fund	141.3	5.4	42.4	Unavailable
Insured assets - Aviva	464.8	17.9	27,418.6	92.9
Insured assets - Phoenix Life	211.8	8.2	10,695.7	131.3
Insured assets - Rothesay Life	1,523.0	58.7	89,608.4	128.0

Source: Investment Managers

** The dates of climate metrics reporting for those available are as at 31 December 2022. 31 March 2024 data was not available at the time of writing this report.*

Table 4 – emissions metrics for the Scheme (Scope 3)

Mandate	31 March 2024		Total carbon emissions (tCO2eq)*	Weighted Average Carbon Intensity*
	Value (£m)	Proportion (%)		
M&G Illiquid Credit Opportunities Fund V	148.3	5.7	9,036.0	538.2
Partners Group MAC 2015*	5.8	0.2	1.3	0.4
Partners Group MAC 2016*	11.1	0.4	0.1	2.3
Partners Group MAC 2019*	39.0	1.5	3,382.5	207.7
Insight Fully Funded Gilts	50.1	1.9	Unavailable	Unavailable
Insight Sterling Liquidity Fund	141.3	5.4	8,568.7	Unavailable
Insured assets - Aviva	464.8	17.9	Unavailable	Unavailable
Insured assets - Phoenix Life	211.8	8.2	91,808.2	1,471.8
Insured assets - Rothesay Life	1,523.0	58.7	Unavailable	Unavailable

Source: Investment Managers

** The dates of climate metrics reporting for those available are as at 31 December 2022. 31 March 2024 data was not yet available at the time of writing this report.*

Table 5 – data quality and portfolio alignment metrics for the Scheme

Mandate	31 March 2024		Data quality (Scope 1 + 2)			Data quality (Scope 3)			Binary target measure (%)
	Value (£m)	Proportion (%)	Reported (%)	Estimated (%)	Unknown (%)	Reported (%)	Estimated (%)	Unknown (%)	
M&G Illiquid Credit Opportunities Fund V	148.3	5.7	26.7	0.5	72.8	23.5	1.4	75.2	Unavailable
Partners Group MAC 2015	5.8	0.2	6.9	0.0	93.1	6.9	0.0	93.1	Unavailable
Partners Group MAC 2016	11.1	0.4	10.4*	0.0	89.6	10.4**	0.0	89.6	Unavailable
Partners Group MAC 2019	39.0	1.5	15.2***	0.0	84.8	11.4****	0.0	88.6	Unavailable
Insight Fully Funded Gilts	50.1	1.9	100.0	0.0	0.0	Unavailable	Unavailable	Unavailable	Unavailable
Insight Sterling Liquidity Fund	141.3	5.4	76.0	6.0	18.0	0.0	79.0	21.0	Unavailable
Insured assets - Aviva	464.8	17.9	86.0	0.0	14.0	Unavailable	Unavailable	Unavailable	Unavailable
Insured assets - Phoenix Life	211.8	8.2	46.1	0.0	53.9	Unavailable	Unavailable	Unavailable	Unavailable
Insured assets - Rothesay Life	1,523.0	58.7	75.1	0.0	24.9	Unavailable	Unavailable	Unavailable	Unavailable

* 31.3% for WACI; **17.8% for WACI; ***43.0% for WACI; ****29.1% for WACI

Table 6 - Key Observations

Mandate	Commentary of Results
M&G Illiquid Credit Opportunities	• The fund provided data on both scope 1+2 and scope 3 emissions for the first time this year. However, the data quality was poor with data provided for less than 30% of assets under management. The Trustee notes that the provision of data for illiquid credit remains sparse across managers, however this is expected to improve over time.
Partners MAC series	• The MAC series funds provided data on both scope 1+2 and scope 3 emissions for the first time this year. However, the data quality was poor with data provided for less than 20% of assets under management. However, this figure did increase to up to a maximum of 43% - for the MAC 2019, scope 1+2 WACI metric. Figures for absolute emissions and WACI are also difficult to compare as reporting percentages differed for the metrics. • Partners Group's questionnaire to its underlying borrowers was optional this year. This contributed to the poor data coverage from their assets. Partners Group have committed to make the survey compulsory for subsequent years to improve data quality.
Insight Fully Funded Gilts and Sterling Liquidity Funds	• Insight provided data on both scope 1+2 emissions in the previous year when the Trustee held their assets within a segregated mandate. The mandate with Insight is now across a number of pooled funds holding gilts and cash. • Insight supplied data on scope 3 emissions for the first time this year, however it was only reported for the Sterling Liquidity Fund, limiting the overall quality of data provided. Trends will be evaluated in subsequent years, where relevant, now that baseline data is available to the Trustee.
Insured Assets	• Insured assets provided data on Scope 1+2 emissions and a limited amount of scope 3 data for the first time this year. However, only Phoenix Life provided data specific to the Scheme's annuity, whereas Aviva and Rothesay Life provided data at a company level. For Aviva and Rothesay Scheme emissions were inferred proportionally based on the value of the insured annuities relative to the total assets under management of the insurers.

Commentary on Scheme metrics

The data provided by managers is being tracked as part of our data quality metric, set out above, and targets have been set for each manager to improve the data they provide over the next year and beyond, as set out in the section below. Given the currently low levels of coverage for some of the Scheme's mandates, we have decided not to aggregate data across asset classes at this point in time. We are therefore not reporting overall emissions data for the total Scheme assets in this report. In addition, data on portfolio alignment with net-zero targets as measured through the binary target measure continues to be unavailable for the Schemes mandates.

In future, we will aim to continue to monitor the metrics on at least an annual basis and identify whether performance has improved or deteriorated over time. Where performance has deteriorated, we will engage further to understand the reasoning and undertake any appropriate remedial actions. The metrics will also be used to monitor the Scheme's performance in line with climate-related targets (see Metrics and Targets Disclosure 3).

We acknowledge that at this point, limited data is available on industry wide comparisons, and we have relied heavily on the benchmark set for each fund and the market knowledge of our advisors in understanding how

well the funds are performing and whether further improvements could be made at this stage. We expect that in the future better information will be available as the industry aligns to expectations and best practice standards.

The Trustee will continue to liaise where appropriate with their managers, the insurers, and their advisors in order to try and provide a clearer picture of this data going forwards.

Metrics and Targets Disclosure 3: Describe the targets used by the Scheme to manage climate-related risks and opportunities and performance against targets

We have also reviewed our current data scoring system and concluded that it remains appropriate for the Scheme although we have added a separate score of "0" to differentiate between the managers with no data and the ones that can provide some metrics but where the coverage remains poor. The following system now applies for the data quality metric – it has been used when reassessing the managers and setting new data quality targets. Please note that all percentages refer to portfolio coverage, i.e., for what % of the portfolio the given type of data is available.

Table 7 – Data quality metric scoring framework

Score	Scope 1 and 2 emissions data requirements
4 – Excellent	At least 75% of actual data available OR >95% overall coverage including at least 65% actual data
3 – Good	At least 65% actual data available OR >70% overall coverage including at least 45% actual data
2 – Adequate	At least 45% of actual data available OR >60% overall coverage using estimates
1 – Poor	Less than 45% of actual data available OR <60% overall coverage using estimates
0 – No data	No data on any of the metrics provided for the mandate

The targets are set for the mandates in line with the above scoring system are below:

Table 8 – Data quality scores

Mandate	Proportion of assets* (%)	2023 score**	Current score	2024 target	2026 target	2033 target
M&G Illiquid Credit V	5.7	0 – No data	1 – Poor	1 – Poor***	2 – Adequate	3 – Good
Partners Group MAC 2015	0.2	0 – No data	1 – Poor	2 – Adequate	3 – Good	4 – Excellent
Partners Group MAC 2016	0.4	0 – No data	1 – Poor	2 – Adequate	3 – Good	4 – Excellent
Partners Group MAC 2019	1.5	0 – No data	1 – Poor	2 – Adequate	3 – Good	4 – Excellent
Insight Funded Gilts Funds	1.9	Unclear****	4 – Excellent	2 – Adequate	3 – Good	4 – Excellent
Insight Sterling Liquidity Fund	5.4	Unclear****	4 – Excellent	2 – Adequate	3 – Good	4 – Excellent
Insured assets - Aviva	17.9	Unclear****	4 – Excellent	2 – Adequate	3 – Good	4 – Excellent
Insured assets - Phoenix Life	8.2	Unclear****	2 – Adequate	2 – Adequate	3 – Good	4 – Excellent
Insured assets - Rothesay Life	58.7	Unclear****	4 – Excellent	2 – Adequate	3 – Good	4 – Excellent

*The total proportion of assets shown in this table excludes the Trustee bank account (0.6% proportion) for the Scheme, for which metrics are unable to be and therefore have not been measured.

**Following the addition of a score of "0" to differentiate between the managers with no data and the ones that can provide some metrics but where the coverage remains poor, we have restated our 2023 scores.

*** The Trustee notes that provision of data for illiquid credit remains very difficult for managers, and so whilst they expect M&G to improve the data quality over the short term, they appreciate that this will likely still fall into the ‘Poor’ score. The Trustee will liaise with M&G on this to ensure some data is captured in the coming year to enable appropriate understanding of risk exposure where possible for this fund.

**** Whilst there was some data available for LDI and some insured assets, dependant on insurer reporting, it was difficult to calculate and report on the data quality of this information at this point in time due to the nature of the assets.

The above targets have been agreed based on the baseline calculated in the carbon footprint analysis as set out under Metrics and Targets disclosure 2.

Commentary on Scheme performance against target

The majority of the managers provided data both scope 1+2 and scope 3 emissions for both absolute and WACI measures, although there are still significant gaps in coverage, particularly in scope 3 data. As a result, the Scheme’s metrics for the data quality of reported data have improved over the year, however in most cases they have not improved enough to meet the targets set by the Trustee for the year. The Trustee will continue to encourage managers to improve the quality of their data so performance against key metrics can be tracked effectively over time.

We will undertake an annual review of the targets, including interim targets, to ensure that they remain appropriate and challenging, given the ever changing, economic, environmental, and technological environment.

Data availability remains limited due to the nature of the assets. We will continue to monitor progress against these targets, as well as any other targets set for the Scheme's other mandates in future reports.

The ability for diversified investors (such as pension schemes) to set meaningful climate targets is inhibited by the limited availability of credible methodologies and data currently available. Like most investors, we are supportive of the development of target-setting methodologies, and of the increasing completeness of carbon datasets. We wish to set meaningful and challenging climate targets for our investment portfolio, subject to the appropriateness in the context of our investment strategy.

Appendix I: Glossary and definitions

Asset Class
An asset class is a group of investments that typically share a lot of the same characteristic, that may be subject to the same rules and regulations. For example, equities, bonds, and property are three well known asset classes.

AUM
Assets Under Management – i.e. the amount of money invested and being managed.

Buy-in
A buy-in involves securing insurance policies for a sub-section of members covering all the benefits they have in the Scheme. The insurance policies are in the name of the Trustee and an asset to the Scheme.

Buy-out
A buy-out involves securing individual insurance policies for all members covering all of the benefits they have in the Scheme. Reaching full funding on a buy-out basis is a common target for pension schemes because once achieved it gives a high level of security for members benefits.

Carbon neutral
Carbon neutrality is the state where the amount of carbon emissions being emitted is balanced out by the removal of the same amount of emissions. It can be achieved through carbon offsetting.

Carbon pricing
Carbon pricing assesses and quantifies the external costs of greenhouse gas emissions, for example damage to crops or loss of property from flooding and sea level rises, and relays these costs back to the source of the emissions through a price, usually in the form of a price on the carbon dioxide (CO2) emitted.

Covenant
If the Fund was to have a funding shortfall, i.e. if the Fund's assets are lower than the value of the liabilities on the technical provisions basis, the Trustee would look to the Sponsor to make the necessary additional contributions to restore full funding.

The legal obligation on the Sponsor to provide these contributions and remove the shortfall, and its ability to satisfy these obligations is known as the Sponsor covenant.

Engagement
Engagement with respect to assets of the Fund means communication with a person or organisation, typically via investment managers, with the aim of driving change.

ESG
Environmental, social and governance.

Fiduciary responsibilities
The responsibilities of the committee to act in the best interests of the Fund's beneficiaries (i.e. Fund members).

Financial Stability Board
The Financial Stability Board is an international body that monitors and makes recommendations about the global financial system. It was established after the G20 London summit in April 2009 as a successor to the Financial Stability Forum.

Greenhouse Gases ("GHG")
Greenhouse gases are gases in the Earth's atmosphere that are capable of absorbing infrared radiation and thereby trap and hold heat in the atmosphere. The main greenhouse gases are:

- water vapour

- carbon dioxide (“CO_2”)
- methane (“CH_4”)
- nitrous oxide (“N_2O”).

IIGCC
Institutional Investor Group on Climate Change: membership body for investor collaboration on climate change, comprising 330+ members, mainly pension funds and asset managers responsible for €39+ trillion in assets under management.

Low carbon economy
An economy based on energy sources that produce low levels of greenhouse gas (GHG) emissions.

Macro-economic
The area of economics concerning with large-scale (e.g. national or international) or general economic factors, such as interest rates and inflation.

Mandate
An instruction to an asset manager on how the Fund’s money may be invested.

Net Zero
Net zero refers to the amount of all greenhouse gases (which includes but is not limited to carbon dioxide) being emitted being equal to those removed. It typically also includes reduction of total emissions as much as possible, with only the remaining unavoidable emissions being offset.

Paris Agreement
The Paris Agreement on climate change is a 2015 global accord seeking to keep the rise in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the increase to 1.5°C. As of 2021 the Paris Agreement has been signed by 191 countries, and ratified by 186 countries.

Responsible Investment
The integration of ESG factors into investment decision making and asset stewardship practices.

Scope 1 Emissions
All Direct Emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks.

Scope 2 Emissions
Indirect Emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation.

Scope 3 Emissions
All Other Indirect Emissions from activities of the organisation, occurring from sources that they do not own or control. These are usually the greatest share of the carbon footprint, covering emissions associated with business travel, procurement, waste and water.

Stewardship
Stewardship of assets is a tool that can shape corporate behaviour using methods that include engagement and voting.

Systemic risk
Systematic risk refers to a risk that impacts the entire market, not just a particular stock or industry.

TCFD
Taskforce on Climate-Related Financial Disclosures.

Voting

When investors are shareholders in a company via the investments they hold, this typically provides them the opportunity to vote on company matters at meetings such as an Annual General Meeting (AGM). Issues that can be voted on include climate change plans, executive pay, the election of board directors, and much more. However, this opportunity only arises with certain types of assets, such as equities. Additionally, a lot of voting is undertaken on behalf of pension schemes by investment managers, due to pension schemes typically being one of many investors in a fund which then invests within companies.

Appendix II: 2023 Climate scenario analysis

The qualitative scenario analysis included testing a number of elements of the Scheme's overall strategy, including:

- Current investment strategy, as well as the target strategy that the Scheme is working towards;
- Liabilities, by way of expected impact to both the financial and demographic assumptions used to calculate the liabilities; and
- Covenant of the Sponsor and the expected impact of different climate scenarios to the strength of the Sponsor and therefore ability to support the Scheme if required.

The majority of the Scheme's liabilities are now insured via five bulk annuity policies. Our investment strategy for the remaining assets is to maintain a portfolio that will provide interest rate and inflation hedging in respect of residual liabilities within the Scheme in respect of unequalised member benefits ("Barber liabilities"), as well as providing sufficient liquidity to meet ongoing Scheme expenses. This is achieved by maintaining a portfolio of cash, gilts and index-linked gilts, alongside the private lending mandates which are all in the distribution phase. The current asset allocation has not changed significantly to warrant us refreshing the scenario analysis and therefore last year's analysis remains suitable.

Outputs

The overall results of the scenario analysis to funding and strategy under each of the scenarios is provided below

	Green revolution	Delayed transition	Head in the sand
Assets	• Small impact on expected returns expected over the short-medium term time horizons for the Scheme. • This impact may be expected to recover over the longer term as the world moves to a low carbon economy. • However, when considering the Scheme's strategy as a whole, this impact would be relatively immaterial given that the majority of assets will move in tandem with the liabilities due to the proportion of assets in matching assets and buy-ins.	• Small reduction in expected returns over the medium term with limited impact at longer time horizons. This is because, by the long-term time horizon, it is expected that an even higher proportion of assets needed to meet member benefits will be in insurance contracts and therefore the Scheme's assets are likely broadly immune to impacts. • Actual asset returns will be affected by individual investee companies and their ability to adapt businesses to the climate transition. • Value of government bond holdings influenced by the ability of the UK Government to implement its net zero policy.	• Impacts on assets under this scenario will likely manifest over the longer term (10+ years). By the long-term time horizon, it is expected that an even higher proportion of assets needed to meet member benefits will be in insurance contracts and therefore the Scheme's assets are likely broadly immune to impacts. • Actual asset returns will be affected by individual investee companies and their ability to manage impacts of physical risk.

	• Actual asset returns will be affected by individual investee companies and their ability to adapt businesses to the climate transition. • Value of government bond holdings influenced by the ability of the UK Government to implement its net zero policy.		• Value of government bond holdings influenced by the ability of the UK Government to manage the impact of physical risks.
Liabilities[1]	• Longevity – small increase in liabilities. Buy-ins provide significant protection.	• Longevity – small reduction in liabilities. • Whilst this would remain immaterial in respect of the Scheme due to the buy-ins, it would be a worse outcome for members.	• Longevity – larger reduction in liabilities. • Whilst this would remain immaterial in respect of the Scheme due to the buy-ins, it would be a worse outcome for members.
	• Interest rates and inflation – Scheme targeting high levels of hedging so the funding position is expected to be resilient to changes in interest rates and inflation		
Covenant	Under all scenarios explored, the covenant provided to the Scheme is expected to remain unchanged. Additionally, the Scheme's reliance on covenant is low across all scenarios, given the majority of benefits are now insured and there remains a surplus in Scheme at this point in time and access to contingent assets on Sponsor failure.		
Overall impact on Scheme strategy	• May see a small reduction in funding position due to movements in non-insured assets, but limited impact to the Scheme's strategy.	• May see a small impact on non-insured assets over the medium term (c.5-10 years), but also potential reduction in long term liabilities due to lower longevity. • Overall, impact to Scheme strategy remains limited due to high proportion of insured benefits and low residual non-hedging assets.	• Limited impact – increases downside risk at some time periods but risk remains supportable by covenant. • Overall, impact to the Scheme's strategy remains limited due to high proportion of insured benefits and low residual non-hedging assets.

Potential impact of more extreme scenarios

The above analysis assumes financial systems continue to exist in their current form, whereas more extreme scenarios could lead to the breakdowns of systems (which could have more severe impacts). Examples of extreme events that would impair the Scheme's ability to meet benefits are:

- Failure of the buy-ins. Ordinarily the insurance regime would step in and provide protection. If the situation was so severe that the regime collapsed, around three quarters of the Scheme's assets could be unavailable and we would be looking for the Sponsor to step in. In this event, the Scheme would become significantly more reliant on the covenant.
- Failure of existing financial systems, given climate change is a new and emerging risk.
- Default of the UK government on its debt.

Appendix III: Reliances and limitations

Risk Warning

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investments in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an overseas investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.