

Atos UK 2019 Pension Scheme

**Taskforce on Climate-
related Finance
Disclosures (TCFD)
Statement – Year Ended
31 December 2023**

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Summary for members

This report is intended to explain how the Trustee of the Atos UK 2019 Pension Scheme (the "Scheme") is acting to identify, assess and manage climate-related risks and opportunities which may affect the Scheme's ability to pay members benefits as they fall due. Following this summary is a more detailed report to comply with required regulations.

This is the second such annual report published by the Trustee, covering the period 1 January 2023 to 31 December 2023. Whilst this report applies to both Defined Benefit ("DB") and Defined Contribution ("DC") members of the Scheme, there is a greater focus on the DB Section of the Scheme. This is due to both the DB Section being much larger than DC Section and because the Trustee is considering alternative options for providing DC benefits, meaning the identification, assessment and management of climate-related risks and opportunities is more developed for the DB Section than the DC Section.

In 2020, the Trustee chose to set an aspirational target of achieving net-zero carbon emissions within the portfolio by 2035, with an aim to reduce the carbon footprint of the DB Section's return-seeking assets by 33% from the 2019 level by 2025. Simply comparing the 2019 baseline carbon footprint to measurements since then, the interim target was being met in 2022 and continued to be met as at 31 December 2023. However, developments in best practice methodology since the baseline was set means the baseline and current carbon footprint measurement are not comparable on a like-for-like basis. Given this, the target is due to be reviewed by the Trustee in 2024 or 2025, once the Trustee's ongoing review of its long-term strategy for the Scheme is complete.

The Trustee has two tools to achieve its net-zero target and manage climate-related risks and opportunities more widely: allocating capital to investments which support these aims (or avoiding allocating capital which are expected to adversely affect them) and engaging with its asset managers to challenge them to change for the better in relation to identifying, assessing and managing climate-related risks and opportunities. The Trustee's focus over 2023 was on the latter; for example, as the case study on page 7 outlines, the Trustee worked with its investment consultant and a specialist portfolio analytics firm to analyse some of the Scheme's investment funds to identify focus areas for future engagement with the investment managers.

Following the structure of the main report, the rest of this summary provides an overview of the Trustee's approach in relation to the following four key areas: Governance, Strategy, Risk Management and Metrics & Targets.

Governance: the arrangements in place around climate-related risks and opportunities.

The Trustee Board is responsible for the oversight of climate-related risks and opportunities but has set up an Investment and Funding Committee ("IFC") and an Administration and Governance Committee ("AGC") which are delegated relevant responsibilities. The IFC is advised by a range of specialist advisors and the Trustee and the IFC undertake regular training around ESG topics and how climate change may affect the Scheme.

Strategy: the actual and potential impacts of climate-related risks and opportunities.

The Trustee considers two specific types of climate-related risks that could impact the Scheme:

1. Transition risk: the risk that the Scheme's ability to pay member's benefits is negatively affected by policy actions relating to the transition to a lower-carbon economy.

2. Physical risk: the risk of extreme weather scenarios, supply chain disruption and other physical effects of climate change affecting the Scheme's ability to pay member's benefits.

The Trustee uses two tools to support the identification of these climate risks: climate scenario analysis and monitoring climate metrics. Climate scenario analysis was last completed as at 31 December 2022 for both the DB and DC Sections and the results can be found in Appendix C of this report. The monitoring of climate metrics is discussed below and in Section 4 of the main report.

Risk Management: how the Trustee identifies, assesses, and manages climate-related risks.

The Trustee believes that engagement with its investment managers is one of the main ways it can manage climate-related risks and opportunities. For example, over the year, the Trustee commissioned a specialist portfolio analytics firm to perform climate risk analysis on two of the Scheme's similar liquid credit funds. Supported by its investment consultant, the Trustee used this analysis to consider and compare the climate profile of the two funds and identify areas of focus for future engagement with the managers. More examples of the steps taken to manage the Scheme's climate-related risks can be found in the Risk Management section of the following report.

Metrics & Targets: which are used to assess and manage risks and opportunities.

The Trustee measures and monitors four climate-related metrics for both the DB and DC Sections: 1) total absolute greenhouse gas emissions of the Scheme's assets; 2) the Scheme's carbon footprint, i.e. the total greenhouse gas emission for the portfolio per million pounds invested; 3) the effect on the Scheme's assets of a 2.0°C temperature rise in a disorderly manner, and; 4) the proportion of companies the Scheme invests in which have a verified science-based target for reducing their carbon emissions.

There has not a material change in any of these metrics over 2023.

As outlined earlier, the Trustee previously set a net-zero aspiration for 2035, with an interim target to reduce the carbon footprint of the DB Section's return-seeking assets by 33% from the 2019 level by 2025. Developments in carbon footprint measurement methodologies mean the Trustee is unable to report progress against this target on a like-for-like basis. This target is due to be reviewed by the Trustee to ensure it has a target (or targets) which align the long-term strategy for the Scheme.

Closing remarks

Whilst the Trustee took some direct actions over the year to develop its identification, assessment and management of climate-related risks and opportunities, which are explained throughout this report, there remains several climate-related items on the Trustee's agenda (e.g. target setting, manager engagement) that have not progressed as far as an initially planned over 2023. This is due to the prioritisation of strategic considerations with higher importance at this stage. The Trustee still considers these climate-related items important, and they remain on the agenda for a suitable time.

The following pages expand on the Trustee's reporting on its position, progress and actions relating to the above four main focus areas. Monitoring and managing the Scheme's exposure to climate risks and opportunities is an ongoing task, and the Trustee will continue to enhance its approach. The Trustee looks forward to reporting on its progress over 2024 in next year's report.

If you have any questions on the report or in relation to the Trustee's approach to considering climate-related factors on your behalf, please get in touch with via Atos.Secretarial@xpsplc.com.

Introduction to main report

This report has been produced by the Trustee of the Atos UK 2019 Pension Scheme (the "Trustee") and their advisors under the requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) regulations 2021. As part of these regulations, the Scheme is legally required to produce formal disclosures in line with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"). This report covers both the Defined Benefit ("DB") and Defined Contribution ("DC") sections of the Scheme and covers the period from 1st January 2023 to 31st December 2023. This is the Scheme's second annual report explaining how the Scheme identifies, assesses and manages climate-related risks and opportunities.

As at 31 December 2023, the DB section had a total asset value of around £1,300m. Roughly 40% of assets are used to match the movements in liabilities in response to changes in interest rate and inflation through a liability driven investment ("LDI") portfolio. Another c.40% of assets are invested across liquid credit strategies, with the remaining c.20% across listed equity, illiquid credit, property and renewable infrastructure.

For the DC section, the total asset value at 31 December 2023 was around £36m, but analysis focuses on the Scheme's popular DC arrangements, defined as any investment fund greater than £100m in value (which does not apply) or greater than 10% of total DC assets. These are the BlackRock 70:30 Global Growth Fund, BlackRock Pre-Retirement Fund, BlackRock Index-linked Gilt Fund and BlackRock Cash Fund.

All DB sections have been grouped as one in this report, as the sections are benefit categories only, with the investments and dealt with on a consolidated basis. All DC sections have also been grouped as one in this report, as there are significant commonalities in the investment strategies of the different sections.

Given both the relative sizes of the two Sections (DB much larger than DC) and that the Trustee is currently considering alternative options for providing DC benefits, the identification, assessment and management of climate-related risks and opportunities is more developed for the DB Section than the DC Section. This is reflected in this report.

1. Governance

The Trustee Board is ultimately responsible for the Scheme's investment strategy and funding strategy. The investment strategy is built on a set of investment beliefs as outlined in the Trustee's Statement of Investment Principles ("SIP"). The Trustee has also put in place a standalone Sustainable Investment Policy. This policy is outlined in Appendix A.

To help implement the Trustee's investment strategy and funding strategy, certain responsibilities have been delegated to sub-committees and external advisors where appropriate. Appendix B includes a diagram to illustrate these roles and responsibilities as they relate to identifying, assessing and managing climate-related risks and opportunities and integrating them into the Scheme's investment strategy, funding strategy and wider risk assessment framework. The Trustee has delegated to the IFC day-to-day responsibility for ensuring that the established policy on climate-related risks and opportunities is effectively integrated into the Trustee's overall decision-making. Updates on work done and actions taken by the IFC to identify, assess and manage climate-related risks and opportunities are provided at quarterly Trustee Board meetings.

The Trustee sets aside time to discuss climate risk throughout the year, as part of the meeting cycle. The time set aside is viewed as proportionate to other responsibilities the Trustee has to perform. The time and resource spent on climate-related matters is not constant, but rather changes depending on factors such as regulatory requirements, market developments and advice/suggestions from advisors.

In line with the communication and reporting lines set out in the Scheme's climate governance structure diagram in Appendix B, the Trustee Board and Investment and Funding Committee (IFC) are informed by their advisors about climate-related risks and opportunities, and receive advice from these advisors on the assessment and management of these risks and opportunities. This occurs both through regular quarterly meetings and ad hoc communication from advisors.

The IFC held two sessions dedicated to sustainable investment, focused on climate-related risks and opportunities, over 2023. These sessions were facilitated by its investment consultant and included the following topics:

- Training on developments with respect to climate scenario analysis, with a recommendation to move from methodology based on the Bank of England's Prudential Regulation Authority (PRA) scenarios to Network for Greening the Financial System (NGFS) scenarios.
- Training on developments with respect to measuring portfolio alignment with the Paris Agreement, with a recommendation to adopt the Science Based Targets initiative (SBTi)'s portfolio coverage tool.
- Training on the latest stewardship guidance issued by the Department for Work and Pensions (DWP) and advice on the integration of this into the Trustee's policies, with climate change being the Trustee's key stewardship theme and the importance of biodiversity and a just transition on a successful climate transition being recognised.
- Training on and exploration of biodiversity-related data, given the Trustee's view of a successful climate transition being linked to biodiversity.
- Training on approaches for integrating climate risk management into passive equity, with a consideration of how the IFC could adapt the Scheme's equity implementation to improve this.

The IFC are responsible for questioning and challenging the information provided to them by their advisors. For example, the IFC challenged the robustness and usefulness of the information which can be obtained from climate scenario analysis currently, due to several limitations in the data and methodology. The investment consultant is researching this area further and the IFC expect the investment consultant to update them as developments occur which may be relevant to the Scheme.

Climate change risk is incorporated into the quarterly performance reports provided by the Trustee's investment consultant, so it is on the agenda for all Trustee meetings. More specific agenda items relating to climate change risk are often included on IFC meeting agendas, or form the subject of separate discussions between the investment consultant and members of the IFC, with discussions and recommendations fed back to the IFC and, where appropriate, the Trustee, formally.

Some climate change risk-related agenda items include engagement with one or more of the Scheme's investment managers. The case study below demonstrates an instance of how the Trustee engaged with its investment consultant, an ESG portfolio analytics firm and some of the Scheme's investment managers to identify, assess and manage climate-related risks and opportunities in the Scheme's investment strategy, building on similar work carried out in 2022.

Case study: Engagement across multiple advisors and investment managers

In 2022, the IFC engaged its investment consultant to collaborate with ESG portfolio analytics firm, Impact Cubed, to undertake analysis across the Scheme's two buy and maintain investment grade credit funds held in the DB section. In 2023, similar analysis was undertaken on the Scheme's two absolute return bonds funds.

Impact Cubed quantitatively compare each fund to a benchmark index on 14 ESG topics, including several climate-related topics, helping to highlight areas where the funds may be more or less exposed to climate risks or opportunities. The investment consultant considered and commented on the results, then facilitated a discussion with the IFC.

Whilst the nature of absolute return bonds funds means comparisons to a benchmark is less revealing than it is for most other asset classes (e.g. buy and maintain credit), the analysis still helped the IFC and its investment consultant to identify potential areas to focus engagement with the investment managers in the future.

The IFC probed its investment consultant on the backing data behind the analysis, for example the proxy benchmark index used and approach to allowing for short positions (i.e. selling securities), to ensure the results were robust enough to supplement future targeted engagement with the managers.

Given the advisory support on climate-related matters, the Trustee takes steps to regularly review the competence of its advisors in relation to identifying and assessing climate change risks and opportunities. For each of the Scheme actuary, covenant advisor and investment consultant, the AGC, in 2023, began using bespoke supplier review scorecards as part of a process to review the competence and service of its advisors. These scorecards incorporate expectations around climate risk monitoring and reporting, specific to each advisor. In addition, for the Trustee's investment consultant, integration of ESG (including climate change) and stewardship were factors in the Trustee's selection of

its investment consultant, and are included in the investment consultant's objectives, which the Trustee reviews at least annually.

As part of monitoring the steps its advisors take to identify, assess and manage climate-related risks and opportunities, the IFC probes the processes and methodologies used in forming their advice. For example, during the investment consultant's training to the IFC relating to the adoption of NGFS methodology for climate scenario analysis, the IFC questioned the investment consultant on how it was working to overcome the limitations of the methodology.

Where appropriate, the Trustee/IFC engages with the Company and its advisors to consider alignment between the Scheme's and Company's climate targets. A session was last held with the Company's Head of Sustainability in November 2022.

2. Strategy

The Trustee recognises that it has a fiduciary duty to exercise its powers for a proper purpose which, in relation to pension scheme investment, usually means acting in the best financial interest of members. As set out in the SIP, the Trustee's long-term financial objective is to be fully funded on a low-risk basis by 2034. A central part of the strategy to achieve this objective involves assessing risk and putting in place appropriate mitigation. The Trustee believes that climate change is one major systemic investment risk that needs to be addressed in proportion to the other risks facing the Scheme. At the same time, the Trustee recognises that the transition to a lower-carbon economy may also present investment opportunities.

In terms of the Scheme's impact objective, the Trustee follows the below principles:

- The Trustee's climate impact objective is to remove emissions from the real economy through investment in climate solutions, and by delivering change in invested asset emissions through active stewardship and otherwise.
- The Trustee, with the aid of its advisors, will continue to assess opportunities that both improve or maintain the attractiveness of the portfolio's risk & return profile and align with the Trustee's broader impact objectives.

The Trustee views climate change risk as typically arising in one of two forms:

- Physical risk:
 - This relates to the physical impacts of climate change, such as damage and disruption from extreme weather events, and the effect of these on economic activity.
 - Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.
- Transition risk:
 - This relates to risks arising from the potentially extensive policy, legal, technology and market changes required to address climate change and to transition to a lower-carbon economy.
 - For example, these changes may lead to a lower economic value placed on certain investments due to the risk of an abrupt imposition of carbon taxes.

In line with the Scheme's Sustainable Investment Policy, the Trustee focuses on three primary areas when considering climate change within decision-making processes: emissions reduction objectives, impact objectives (as defined earlier) and climate risk monitoring. To date, the Trustee has made more progress with incorporating these areas into its investment strategy for the DB Section than for the DC Section, except in relation to climate risk monitoring. The core focus of the Trustee in respect of the DC Section currently is considering alternative options for providing DC benefits. This process will include consideration of the extent to which alternative arrangements can demonstrate an effective integration of climate-related risks and opportunities within the DC investment strategy and overall risk framework. Therefore, this section of the report has more focus on DB than DC.

The Trustee notes the assessment of climate-related risks and opportunities may vary depending on the time horizon in question. As such, the Trustee considers climate-related risks and opportunities and their potential implications for the Scheme's investment and funding strategy over the following time horizons, which it deems appropriate in light of the Scheme's strategic objectives:

Time Horizon	Date	Why was this date selected?	Example risks and opportunities
Short term	2025	<p>This very short-term focus allows the Trustee to consider the transition risks that the Scheme is exposed to. It aligns with the actuarial valuation process for the DB section.</p> <p>This period also allows the Trustee to evaluate the short-term risks faced by the DC section from sudden climate-related behavioural changes.</p> <p>The Trustee will review this short-term time horizon as the 2025 date is approached.</p>	<p>Shorter-term climate risk is likely to be manifest in a form of transition risk. This may include stock price movements resulting from increased regulation directed at addressing climate change (i.e. mostly transition risk).</p>
Medium term	2035	<p>The Trustee has set a target of having net-zero carbon emissions in the portfolio by 2035 (see below for further details).</p>	<p>The main type of climate risk to consider in the medium-term is also likely to be transition risk, although physical risk might also impact Scheme assets and liabilities. For example, it is expected that there will be changes in consumer spending habits following changes in technology, such as the uptake in electric vehicles or a reduction in overseas travel (i.e. some transition risk and some physical risk).</p>
Long term	2050	<p>It is noted that a target of net-zero emissions by 2035 may be challenging, because the goal of the Paris Agreement is that the global economy reaches this position by 2050. This aligns with the Trustee's measurement of portfolio alignment with the Paris Agreement (i.e. Metric 4, see Section 4 for more detail).</p> <p>This time horizon is also set to reflect the long-term time period over which pensions are expected to be paid out in the DB section and over which DC members are expected to take their pension, with the latter likely to be a longer period.</p> <p>This longer-term focus helps the Trustee to understand the risks that the physical changes associated with climate change might have on the Scheme's investment strategy and funding strategy.</p>	<p>The Trustee expects a mix of physical risk and transition risk to manifest in the longer-term, with an increasing intensity in physical risk. This may include transition risk due to the global economy's transition to a decarbonised economy. From a physical risk perspective, this may include physical damage to real assets as a result of rising sea levels for coastal property or infrastructure assets; there may be opportunities for outperformance for organisations that put in place strategies to mitigate these potential risks well in advance of them materialising.</p>

The Trustee has considered whether the potential risks identified across the time horizons outlined above will have an impact on the Scheme's investment or funding strategy. At this time, the Trustee does not consider the data available is sufficiently comprehensive or meaningful to make a proper judgement so as to adjust the Scheme's strategies at this stage. However, the agreements in place with its investment consultant and investment managers require ongoing assessment of the impact of climate-related risks and opportunities across the above time horizons and the table set out on pages 9-12 below describes how they are currently taken into account across the Scheme's asset portfolio.

An aspirational, but key, objective the Trustee has set for the Scheme is to attain a net zero carbon position by 2035 (i.e. 15 years earlier than the goals of the Paris Agreement). In July 2020, the Scheme committed to dedicating resource to considering how the Scheme could potentially achieve net-zero carbon emissions by 2035. Key aspects of this objective include:

- Achieve a net-zero portfolio by 2035 (based on scope 1 and 2 emissions for those asset classes where carbon emissions can be measured).
- Scope 1 and 2 emissions are focused on due to the current difficulties in both measuring and monitoring scope 3 emissions. Scope 3 emissions are measured and monitored in segregation due to the potential for double-counting. Over time, the Trustee will consider how to reduce scope 3 emissions and appropriate ways to incorporate them into the net zero target.
- The Trustee recognises that most of the global economy is aiming to target 2050, and there are several asset classes where reliable data is not yet available, and so the 2035 aspiration is deliberately hard to meet.
- The Trustee recognises the limitations of focusing solely on carbon emissions, particularly the risk of achieving net zero within the portfolio via exclusions which have little to no real impact on emissions in the real economy. Certain mandates have elements of exclusion (e.g. the Scheme's equity fund has a fossil fuel exclusion), but the Trustee does not implement a blanket exclusion across all assets. Instead, the Trustee believes the right approach is to engage with each asset manager on meaningful ESG metrics that will make a difference in the real economy and are implementable from a practical perspective.
- It is therefore possible (and indeed likely) that there will be carbon emissions in the portfolio in 2035. However, by this point, all investments in the Scheme are expected to have a credible plan for how they will get to net zero by 2050.
- One of the Trustee's key actions has been to evaluate whether the Scheme's strategic asset allocation ("SAA") is appropriate to achieve its emissions reduction objective. The Trustee will continue to review the SAA with this purpose.
- The Trustee has so far opted for both elements of an active and passive approach to achieve this objective. An active approach entails changing the SAA and replacing managers, while a passive approach relies more on the lower-carbon transition success of businesses, policy makers and asset managers.

The table below and over the following pages provides an overview of the approach to managing and integrating climate-related risks and opportunities across the Scheme's investments. The table also indicates how the Trustee's carbon reduction and impact objectives are, or are not, contributed to.

Asset Class	Manager	Asset Allocation 31/12/23 (%)	Net Zero Commitment (on mandate level) (year)	Overview of approach to managing and integrating climate risks and opportunities
Global Buy and Maintain Investment Grade Corporate Bonds	Amundi	16%	2050	<ul style="list-style-type: none"> • Segregated mandate with Trustee-driven decarbonisation targets. • Aims to reduce the weighted average carbon intensity of the mandate so that it is 15% below its reference benchmark. • Target 0% exposure to issuers with carbon reserves. • Target 100% of issuers with a carbon reduction target. However, these targets do not necessarily need to be validated as aligning with the Science Based Targets initiative (SBTi). • The manager calculates temperature alignment using a proprietary model to help evaluate and project companies' carbon emissions intensity into the future and compare them with sector-level targets to achieve alignment with Paris Agreement goals. This forward-looking element allows the manager to hold securities by issuers that may have high carbon emissions today but have a clear roadmap to lowering them in the future – this aligns with the Trustee's desire to help contribute towards zero real economy emissions.
	Insight Investment	16%	No	<ul style="list-style-type: none"> • Invest on a net-zero basis. Insight intend to hold carbon below market going forward and trend to zero by 2050. The fund avoids issuers that have not, and will not, make a commitment to achieve net zero by 2050. • Issuers with Insight's lowest proprietary ESG score are avoided. • Issuers materially exposed to, or reliant on, coal or unconventional oil/gas extraction are avoided, as are issuers that score poorly on controversy risk, and/or are potentially violating UNGC or other standards.

Asset Class	Manager	Asset Allocation 31/12/23 (%)	Net Zero Commitment (on mandate level) (year)	Overview of approach to managing and integrating climate risks and opportunities
Absolute Return Bonds	Federated Hermes	1%	2050	<ul style="list-style-type: none"> Over the Scheme year, the Trustee moved to a broadly equivalent pooled fund, having previously been invested in a segregated mandate, as the allocation to this mandate has fallen materially since the initial investment in 2020. Key to the Trustee being comfortable with this change was Hermes' commitment to improving the sustainability characteristics of the pooled fund, more closely aligning them with those of the segregated mandate. Over the year, the Trustee engaged a specialist ESG portfolio analytics provider, to further understand the position of the fund with respect to climate change, amongst other ESG factors (see the case study in Section 1: Governance). The results of this analysis showed that the fund had a positive impact on all environmental factors when compared to the proxy benchmark used for the analysis, but it is noted there are significant limitations in the use of the benchmark for this type of strategy.
	PIMCO	4%	No	<ul style="list-style-type: none"> No decarbonisation target in place. The manager focuses on engagement with companies. The Trustee views the PIMCO fund as being behind many of its competitor funds in terms of sustainable investment and continues to work with the manager to further understand and improve ESG efforts in relation to the fund the Scheme is invested in. The Trustee commissioned the same ESG portfolio analytics for PIMCO as described above for Hermes. The results of this analysis showed that the fund had a slightly negative net impact when compared to the proxy benchmark used for the analysis, but it is noted there are significant limitations in the use of the benchmark for this type of strategy.

Asset Class	Manager	Asset Allocation 31/12/23 (%)	Net Zero Commitment (on mandate level) (year)	Overview of approach to managing and integrating climate risks and opportunities
Passive Equities	LGIM	7%	2050	<ul style="list-style-type: none"> Tracks index designed to account for the risks and opportunities associated with the transition to a low-carbon economy, with the following influencing constituent weights: exposure to green revenues, fossil fuels and carbon emissions, climate governance activities and commitments to Paris Aligned carbon emission pathways. No explicit decarbonisation target or pathway that is aligned with the goals of the Paris Agreement. Given this, the IFC is investigating transitioning to an alternative climate-focused index fund which does have a decarbonisation target and pathway defined. Higher level investment strategy considerations have taken priority to date, but this remains on the IFC's agenda.
Senior Private Debt	Mercer Global Investments	9%	No	<ul style="list-style-type: none"> Limited explicit integration of climate risks and opportunities, and no direct contribution to carbon reduction of impact objectives, but this is an illiquid investment that is currently in run-off, so there is limited scope to make changes here.
Renewable Infrastructure	Mirova	3%	2050	<ul style="list-style-type: none"> The allocation is globally diverse in terms of geographic exposure, so there is not a concentrated exposure to physical climate risk in any certain geography. The Trustee has the view that the transition of our energy system towards low-carbon solutions such as wind and solar is necessary to keep the rise of global temperatures below 2 degrees, in line with the aim of the Paris Agreement. It is therefore the Trustee's view that this fundamental change in the structure of our energy system makes Renewable Infrastructure an asset class with a compelling long-term risk-adjusted return.
	Stonepeak	1%	2050	

Asset Class	Manager	Asset Allocation 31/12/23 (%)	Net Zero Commitment (on mandate level) (year)	Overview of approach to managing and integrating climate risks and opportunities
UK Property	LGIM	4%	No	<ul style="list-style-type: none"> The Trustee has not focussed its engagement on this fund having significantly reduced its allocation to the fund in 2022 and then placed a full redemption from the Fund at the end of the Scheme year in December 2023, with proceeds to be paid out in 2024. Hence, while the Trustee does not view this Fund as one which strongly integrates climate risk management into its strategy, this is not a priority given the full sale placed.
LDI	Schroders	38%	No	<ul style="list-style-type: none"> Schroders can participate in UK green gilt syndications, where this would be an appropriate Scheme investment in line with the SIP. Climate risk is viewed as a less material risk within LDI than return-seeking assets because the Scheme uses the LDI portfolio to hedge the funding level. This means that negative effects on the LDI assets due to climate-related effects on interest rates and inflation would be expected to have proportionately positive effects on the Scheme's liabilities, resulting in a broadly neutral funding outcome.

As part of considering climate-related risks and opportunities and their potential implications for the Scheme, the Trustee, supported by its advisors, performs scenario analysis. For the DB Section, this incorporates the total assets, liabilities and sponsor covenant. For the DC Section, the Scheme's popular arrangements are considered, defined as any investment fund greater than £100m in value or greater than 10% of total DC assets. This captures the BlackRock 70:30 Global Growth Fund, the BlackRock Pre-Retirement Fund, the BlackRock Index-linked Gilt Fund and the BlackRock Cash Fund.

The Trustee, supported by its investment consultant, carried out climate scenario analysis for the DB Section and DC Section as at 31 December 2022. For the DB Section both the investment and funding strategies were considered, with quantitative analysis on assets and liabilities alongside qualitative consideration of the sponsor covenant. The results of this analysis are included in Appendix C with key commentary outlined below. Given the Trustee's view that this scenario analysis is of limited use in its decision-making process (see below for more detail), it has not repeated the analysis over 2023, except where required for reporting Metric 3 (see Section 4).

The Trustee undertakes scenario analysis consistent with the Network for Greening Financial System (“NGFS”) scenarios, considering the following scenarios:

- *1.5°C Orderly Transition*: Assumes that global warming is limited to 1.5°C through stringent climate policies and innovation, reaching global net-zero CO₂ emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all GHGs.
- *2°C Orderly Transition*: Gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.
- *1.5°C Disorderly Transition*: Reaches net zero around 2050 but with higher costs due to divergent policies introduced across sectors leading to a quicker phase out of oil use.
- *2°C Disorderly Transition*: Assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. CO₂ removal is limited.
- *Hot House World*: Assumes that climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming.

Further detail on the methodology used for the scenario analysis is included in Appendix C, including outlining key assumptions and limitations that may affect the analysis results.

To date, the Trustee does not consider that the scenario analysis has materially influenced its decision-making process in respect of either the investment strategy or funding strategy of the DB Section, or the investment strategy of the DC Section. The Trustee acknowledges the growing scrutiny of current climate scenario analysis models, building on concerns identified in the previous year’s report that the current climate scenario analysis in the market is based on assumptions which do not accurately reflect the real world. Recent scrutiny has revealed that current methodologies do not accurately reflect the threat climate change poses to the planet and society, such as overlooking climate tipping points and underestimating the likely implied temperature rise and physical impacts of climate change. Consequently, the analysis currently has limited reliability and usefulness as a decision-making tool.

In line with its commitment to align with emerging best practices, the Trustee is actively discussing this topic with its investment consultant. The Trustee remains informed about developments and continues to explore opportunities to adapt its approach to scenario analysis and climate modelling as methodologies evolve. The Trustee will continue to consider climate change as part of its decision-making process and report on progress in future TCFD reports.

3. Risk Management

Identifying and assessing climate-related risks

As set out in the Strategy section (Section 2), the Scheme is exposed to climate-related risks in the form of transition and physical risk. The Trustee considers the impact of these climate-related risks on all of the Scheme's assets by conducting and reviewing the results of climate-related stress tests on a periodic basis. These stress tests are conducted at least triennially for the full DB funding stress (i.e. assets, liabilities and covenant), at least annually for all scenarios on an assets-only basis (DB and DC), and at least quarterly for the DB assets under the 2°C Disorderly Transition (as further discussed under section "4. Metrics and Targets"). However, as set out in the Strategy section of this report, the Trustee has not found this analysis very useful for identifying or assessing specific physical or transition risks.

The Trustee receives reporting on multiple climate-related metrics for the DB section total portfolio on a quarterly basis, including climate metrics recommended by the DWP and TCFD as set out in section 4. On an annual basis, the Trustee receives more granular reporting on climate-related metrics at a fund and total DB portfolio level. This allows the Trustee to better identify and manage the climate-related risks which are relevant to the Scheme on an ongoing basis.

For all appointed DB and DC fund managers, evaluation of ESG risk management, which includes climate-related risks, is an explicit part of both the selection process and continued due diligence or monitoring that the Trustee undertakes. The Trustee also relies on the research carried out by its investment consultant in relation to investment managers' ability to identify and assess climate-related risks and opportunities.

At this stage in the Scheme's journey, the Trustee is still in the process of investigating how it can identify and assess physical and transition risks in a granular and Scheme-specific way, and then manage these. The Trustee is working with its investment consultant on this process, including investigating data sources available, how this data can be interpreted and how this data can be used to engage with investment managers on the management of climate-related risks. The case study below summarises the work done by the Trustee in this area over 2023.

Case study: Exploring data sources to support climate risk management

The Trustee currently uses MSCI data and NGFS climate scenarios to support climate risk management, based on modelling by its investment consultant. The Trustee previously commissioned analysis by Impact Cubed on the Scheme's two buy and maintain credit mandates, and in 2023 chose to further collaborate and carry out a similar analysis on the Scheme's two absolute return bonds funds. This analysis provided an additional lens to identify and assess physical and transition risks.

Over 2023, the Trustee explored what data could be obtained in relation to biodiversity, recognising the importance of this as part of a successful climate transition and in managing climate risk overall. This included data from Impact Cubed, which analysed 14 ESG topics including carbon and water efficiency, as well as considering additional MSCI data.

It was decided not to adopt this analysis on an ongoing basis at this stage as it was unclear how this would be integrated into the Trustee's decision-making process, but the exercise helped the Trustee set expectations for the investment consultant to research this area in more detail and report on findings. This is therefore on the IFC's agenda to discuss further, however higher level strategic considerations have taken priority thus far.

Managing climate-related risks

The Trustee believes that engagement with its investment managers is one of the main ways in which the Trustee is able to manage climate-related risks and opportunities. The Trustee has formalised a Stewardship Policy, which is included within the Scheme's SIP. In line with the Trustee's commitment to integrating ESG issues into stewardship practices, the Trustee will act in accordance with the Stewardship Policy and, where relevant, expects its investment managers to actively engage with investee companies to better manage climate-related risks. The Trustee is supported in this engagement by its investment consultant.

The case study summarised on page 5 also provides an example of the Trustee's oversight of investment managers in respect of climate-related risk management in 2023. As referenced in the case study, the Trustee appointed a specialist ESG portfolio analytics firm to work in collaboration with its investment consultant to perform climate risk analysis on the Scheme's two absolute return bonds (ARB) funds, following the analysis on the Scheme's buy and maintain investment grade credit managers in 2022. Supported by its investment consultant, the Trustee used this analysis, alongside the regular climate risk reporting from its investment consultant, to consider and compare the climate profile of the two funds, and determine areas to guide future engagement with the managers.

As part of its regular engagement with managers, the Trustee also met with one of the Scheme's renewable infrastructure managers over the year for a general update on the fund's existing projects and future pipeline.

Previously, and implemented over 2023, the Trustee considered climate risk in its decision to move from a segregated mandate with a fixed income manager to a similar pooled fund with the same manager. The case below outlines another example, over 2023, of the Trustee considering climate-related risks and opportunities in its manager selection decision-making process.

Case study: Climate risk consideration in fund sale decision

In 2023, the Trustee's investment consultant advised that it would be suitable for the Trustee to take action to increase the Scheme's liquidity. Amongst other factors, climate risk influenced the Scheme's decision on which fund to place a full redemption from when considering the climate characteristics of the fund relative to the alternative options for sale.

Integration of climate-related risks in overall risk management

For the DB Section, climate-related risks are included in the same pension risk management framework dashboard that captures the Scheme's overall investment objective and key investment risks. The Trustee receives this dashboard from its investment consultant at least quarterly, and also when considering any investment strategy change. Presenting the risks in this way enables the Trustee to consider climate-related risks alongside the other key investment risks and take a proportionate approach to managing risks in the round.

For the DC Section, as mentioned earlier in this report, the Trustee is working with the Company to assess the future of the DC benefits in the Scheme, which includes potentially transferring them to an alternative arrangement. One of the factors the Trustee will consider in any alternative arrangement is its ability to demonstrate an effective approach to monitoring and managing climate-related risks.

The Trustee recognises this is a fast-developing area and new risk management tools or adaptations of existing tools are likely to be required to support the management of climate-related related risks.

4. Metrics and Targets

With regards to quantitative metrics, the Trustee – on an annual basis – monitors and reports:

Metric	Selected metric	Explanation
Metric 1 – absolute emissions metric	Total Absolute GHG Emissions (tCO ₂ e).	This is the absolute emissions metric recommended by the DWP.
Metric 2 – emissions intensity metric	Carbon Footprint (tCO ₂ e/EVIC £m).	This is the emissions intensity metric recommended by the DWP.
Metric 3 – additional climate change metric	NGFS 2°C Disorderly Transition Stress Test	This metric is the output of the asset-side scenario analysis. It provides an indication of the direction and magnitude of climate risk the Scheme is exposed to under this specific climate scenario. The other metrics adopted do not provide an assessment of risk, which is why the Trustee chose this metric, despite it not being expressly listed in the DWP’s guidance.
Metric 4 – portfolio alignment metric	Science-based target initiative (“SBTi”)	This metric examines whether a voluntarily disclosed company decarbonisation target is aligned with a relevant science-based pathway to align with the goals of the Paris Agreement. The target is verified by the Science-based target initiative.

Further detail on each of the adopted metrics, including information on the methodologies used, is set out in Appendix D.

The Trustee will periodically review its selection of metrics to ensure they remain appropriate for the Scheme. Whilst the Trustee recognises limitations in the usefulness of the climate scenario analysis adopted for Metric 3 and acknowledges recent industry concerns on the viability of the SBTi metric, the Trustee’s time was focused on higher priority strategic considerations over 2023, rather than an in depth exercise to review its selection of metrics, as the Trustee was comfortable they remained reasonably suitable at this stage. A more in depth review remains on the Trustee’s agenda.

Target

Linked to the Scheme’s strategic net-zero ambition, as set out in the Strategy section, the Trustee, in 2020, set a target for the non-LDI assets of the DB Section of the Scheme to achieve a 33% reduction in carbon footprint from 30 September 2019 levels by 2025. This target was based on aggregated scope 1, 2 and 3 emissions (as measured by Metric 2 – Emissions Intensity Metric). In the calculation of the Scheme’s total carbon footprint, a 0.22 deduplication multiplier has been applied to the Scheme’s total scope 3 emissions to overcome double-counting and these have been aggregated with the

Scheme's total scope 1 and 2 emissions. LDI assets were excluded from this target as they are held for hedging purposes.

This target was chosen with the objective of the Scheme having a positive impact as part of the transition to a more sustainable, low carbon economy. The Trustee considers that actions taken to achieve this target were consistent with its fiduciary duties to the Scheme's members. It was recognised that other investment opportunities may arise to be impactful, and that stewardship and effective engagement are important tools to achieving more sustainable outcomes.

Simply comparing the 2019 baseline carbon footprint to measurements since then, the interim target was being met in 2022 and continued to be met as at 31 December 2023. However, due to how the 2019 baseline level was set and developments in methodology for calculating the carbon footprint since then, the Trustee is not able to report progress against this target on a like-for-like basis. The key reason for this is that the 2019 baseline carbon footprint was calculated using asset class assumptions, which the Trustee has since considered is not the most suitable approach to set a target against. Since then, for measuring progress against this target, the Trustee has begun to use actual holdings data for funds where MSCI carbon emissions data availability is greater than 50% of holdings. This means that asset class assumptions are used for some asset classes but actual holdings data is used for others, but asset class assumptions were used for all asset classes when setting the baseline.

Given the above and other aspects of the target which, in hindsight, are not as suitable as they could have been, the Trustee plans to review the Scheme's carbon footprint reduction target. The intent is to do so over 2024 but the Trustee's time to date has been focused on higher priority strategic considerations, so the previous target has been retained at this stage. Following conclusion of these strategic considerations, for example the ongoing actuarial funding valuation, there will be more clarity on the Scheme's long-term funding and investment strategies. The Trustee will then be able to consider and set a target more effectively.

In addition to the baseline methodology, the other key aspect of the target the Trustee recognises may not be as suitable as it could be is the approach to including scope 3 emissions. Scope 3 emissions, with a deduplication factor applied (following MSCI's methodology), were aggregated with scope 1 and 2 emissions in the calculation of carbon footprint. There is a lack of consensus across the industry on how to manage the issue of double-counting, and the Trustee has considered that a blanket application of a fixed deduplication factor across all funds/holdings may not be suitable. The Trustee has since begun, as below, to measure and monitor scope 3 emissions separately from scope 1 and 2 emissions.

DB Section results:

The below tables set out the results of each of the Trustee's chosen metrics, broken down by broad asset class. The results are shown as at both 31 December 2023 and 31 December 2022:

	Asset Allocation		Metric 1: Absolute Carbon Emissions (tCO ₂ e) ⁽¹⁾				Metric 2: Carbon Footprint (tCO ₂ e/ £m) ⁽¹⁾			
	2023	2022	2023		2022		2023		2022	
			Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3
Liquid Markets	7%	6%	3,045	27,719	2,724	19,997	33	300	35	254
Liquid Credit⁽³⁾	38%	36%	27,225	126,333	23,096	126,639	54	250	47	260
Illiquid Credit	9%	9%	20,512	96,696	23,461	123,090	167	787	192	1,006
Illiquid Markets	8%	15%	445	4,945	2,190	9,678	4	48	11	47
LDI⁽⁴⁾	38%	33%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	100%⁽⁵⁾	100%⁽⁵⁾	51,227	255,693	51,471	279,404	62	311	58	314

	Asset Allocation		Metric 3: NGFS 2°C Disorderly Transition Stress Impact on Assets		Metric 4: Science Based Targets initiative (SBTi) Rating	
	2023	2022	2023	2022	2023	2022
Liquid Markets	7%	6%	-20.2%	-18.0%	49.0%	44.7%
Liquid Credit⁽³⁾	38%	36%	-8.2%	-7.2%	33.3%	29.9%
Illiquid Credit	9%	9%	-14.6%	-11.4%	N/A	N/A
Illiquid Markets	8%	15%	0.7%	-7.2%	N/A	N/A
LDI⁽⁴⁾	38%	33%	-11.0%	-14.5%	N/A	N/A
Total	100%⁽⁵⁾	100%⁽⁵⁾	-10.0%	-10.8%	N/A⁽²⁾	N/A⁽²⁾

¹ Carbon metrics (metrics 1 and 2) are proxied where there is insufficient data for funds.

² SBTi ratings are unavailable for the illiquid credit, illiquid market and LDI holdings, so totals have not been aggregated.

³ Liquid credit has omitted sovereign debt exposure. There is no industry consensus on the methodology of calculating sovereign bonds carbon emissions. This is something the Trustee is looking to include in the following report as developments are made and the industry reaches a consensus.

⁴ The MSCI data used for the other asset classes does not provide carbon emissions data for sovereign debt, which means LDI cannot be included using this data. The Scheme's LDI manager has also been unable to provide carbon emissions estimates.

⁵ Figure may not sum due to rounding.

Metrics 1 & 2:

The absolute carbon emissions reported above demonstrate the total share of direct and indirect emissions for which the Scheme's assets are responsible and therefore helps the Scheme to measure its progress towards its net-zero goal.

The Scheme's carbon footprint reveals how carbon efficient the portfolio is per million pounds invested (based on scope 1 & 2 emissions, and scope 3 emissions separately). This measure provides an insight into the carbon intensity of the Scheme's assets and contributes to the Target outlined above.

As at 31 December 2023, liquid credit contributed the greatest absolute emissions, in line with it being the largest part of the Scheme's portfolio (excluding LDI). However, the carbon footprint of the Scheme's illiquid credit assets is around three times higher than that of the liquid credit, meaning a materially higher contribution to carbon emissions per £ invested. Relative to last year, the carbon footprint of the illiquid credit reduced, with the carbon footprint for most other asset classes staying broadly similar over the year.

The asset class with the lowest carbon footprint is illiquid markets, which consists of property and renewable infrastructure. This reduced over the year as renewable infrastructure became a larger proportion of the Scheme's illiquid markets assets. The absolute carbon emissions reduced due to a combination of a lower carbon footprint and a lower absolute allocation. However, it should be noted that an asset class assumption is used for each of the renewable infrastructure funds invested in, rather than actual holdings data.

The Scheme's liquid markets allocation, which consists solely of an equity index fund, has the second lowest carbon footprint. This is due to the equity index the Scheme tracks, which is an index which excludes companies with fossil fuel reserves. The carbon footprint was broadly similar from last year to this year, and the absolute carbon emissions increased in line with the absolute value of assets increasing.

The Trustee's investment consultant advised that, in absence of being able to estimate LDI carbon emissions using consistent data from MSCI, as used for the rest of the portfolio, a common approach is to source carbon emissions estimates from a scheme's LDI manager directly. Although many LDI managers can provide this, the Scheme's LDI manager was unable to provide such data. This is an area which the Trustee, via its investment consultant, continues to engage with the LDI manager on. The Trustee has also challenged its investment consultant to be able to provide an alternative methodology in absence of data from the LDI manager and expects a solution to be available over 2024.

It is also worth noting that as coverage of the overall portfolio improves, the Scheme is likely to see an increase in the total emissions attributed to the portfolio. The Trustee is also aware that it is placing a large reliance on the Government achieving its net zero ambition. This is due to the material allocation that the Scheme has to UK Government bonds, although these assets are not yet included in the carbon emissions figures and in the Scheme's decarbonisation target.

Metric 3:

The NGFS 2°C Disorderly Transition Stress may provide an indication of the direction and magnitude of climate risk the Scheme is exposed to, based on a scenario viewed as relatively possible to occur.

The analysis suggests that most asset classes across the Scheme’s portfolio are expected to experience adverse outcomes under this scenario, with the worst outcome expected for liquid markets (i.e. equities). For illiquid markets, a slight positive impact on assets is projected, compared to previously projecting a fall in assets as at 31 December 2022. This is as the modelling for the NGFS 2°C Disorderly Transition Stress now makes an allowance for the potential positive stress arising from assessing how companies may take advantage of untapped growth potential presented by the transition to a lower-carbon economy (i.e. the ‘technology opportunity’). This technology opportunity stress was not modelled in the 31 December 2022 report. The two renewable infrastructure allocations benefit most from this stress component as they focus solely on investment opportunities that are compelling in the move towards a low-carbon economy.

Acknowledging the limitations of scenario analysis outlined in the Strategy section of this report, the Trustee will evaluate the current approach to measuring and reporting on this metric.

Metric 4:

The portfolio alignment metric helps the Trustee to monitor the proportion of holdings within the Scheme’s liquid mandates which have declared a science-based decarbonisation target. The Trustee expects higher portfolio alignment to support the management of climate-related risks. Monitoring this metric also supports the Trustee in its progress towards the Scheme’s own emissions-based targets.

Portfolio alignment is lower across liquid credit than liquid markets, but this includes a wide range across different liquid credit funds, with one with >50% alignment but all others with <25%.

Since 31 December 2022, there has been an increase in the proportion of liquid market and liquid credit assets that have declared net zero targets validated by the SBTi.

Data coverage:

As well as using these metrics where appropriate in investment decision-making, one conclusion from this analysis is that data coverage is relatively low across the portfolio for different metrics (e.g. carbon emissions not including sovereign debt and portfolio alignment not including illiquid assets). The data coverage figures can be seen in the table included in Appendix D.

The Trustee aims to improve this data coverage, and quality, over time through engagement with its investment consultant, investment managers and the wider industry, where relevant. The table below outlines the current data coverage of the Scheme for calculating carbon emissions, as the baseline to improve from:

Data coverage	% of portfolio for 31 December 2023 analysis	% of portfolio for 31 December 2022 analysis
Funds with >50% coverage, so reported emissions used and scaled to 100%	39%	36%

Data coverage	% of portfolio for 31 December 2023 analysis	% of portfolio for 31 December 2022 analysis
Funds with <50% coverage, so emissions estimated using asset class proxies	23%	30%
Fund where emissions not available	38%	34%

As outlined earlier, emissions for sovereign debt are not currently included in the MSCI data used for other asset classes, and the Scheme's LDI manager was unable to provide their own estimates for the LDI portfolio. Therefore, LDI is excluded from the absolute carbon emissions and carbon footprint. Given the nature of LDI being made up of sovereign debt (and related instruments), SBTi alignment (i.e. the proportion of underlying companies with SBTi-aligned decarbonisation targets), no score can be calculated.

Underlying holdings data is not readily available for private markets (i.e. illiquid credit and illiquid markets) in the same way as it generally is for public markets (i.e. liquid credit and liquid markets). The Trustee understands that, in the wider experience of its investment consultant, carbon emissions data for private markets holdings is largely estimated even when it can be obtained. Therefore, taking a proportionate approach, the Trustee has opted to use asset class assumptions for these assets.

Data coverage did not materially change over the year, only slightly increasing due to asset allocation movements. The Trustee expects its investment consultant to support it in improving data coverage across the portfolio. This topic is expected to be on the agenda when the IFC, supported by its investment consultant, considers climate metrics and targets in more detail, following the conclusion of higher priority funding and investment strategy considerations

DC Section results:

The below table sets out the results of each of the Trustee's chosen metrics broken down by broad fund, for the same "popular arrangements" as considered for the climate scenario analysis:

	Proportion of total DC assets		Metric 1: Absolute Carbon Emissions (tCO ₂ e) ⁽¹⁾				Metric 2: Carbon Footprint (tCO ₂ e/ £m) ⁽¹⁾			
	2023	2022	2023		2022		2023		2022	
			Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3
BlackRock DC 70/30 Global Growth	54%	56%	1,756	17,260	1,724	17,652	90	887	86	884
BlackRock DC Pre-Retirement	15%	15%	90	610	95	643	16	111	17	117
BlackRock DC Index-linked Gilt	15%	14%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BlackRock DC Cash	12%	11%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Proportion of total DC assets		Metric 3: NGFS 2°C Disorderly Transition Stress ⁽²⁾		Metric 4: Science Based Targets Initiative Rating ⁽³⁾	
	2023	2022	2023	2022	2023	2022
BlackRock DC 70/30 Global Growth	54%	56%	-36.2%	-43.7%	N/A	N/A
BlackRock DC Pre-Retirement	15%	15%	-4.2%	-2.8%	N/A	N/A
BlackRock DC Index-linked Gilt	15%	14%	N/A	N/A	N/A	N/A
BlackRock DC Cash	12%	11%	N/A	N/A	N/A	N/A

¹ Carbon metrics (metrics 1 and 2) are proxied for all funds, but cannot be estimated for sovereign debt or cash, so are set at zero for the BlackRock DC Index-linked Gilt, BlackRock DC Cash and a large part of the BlackRock DC Pre-Retirement.

² Climate stresses are set at zero for sovereign debt and cash, so are zero for the BlackRock DC Index-linked Gilt and BlackRock DC Cash.

³ A Science Based Targets Initiative Rating cannot be obtained when using asset class assumptions.

Data availability and coverage:

The Trustee has performed all DC Section analysis using asset class assumptions. This is for three reasons:

- a. The Trustee is, as outlined earlier, focused on moving the DC Section to an alternative arrangement to improve governance and member experience, so is not expecting to have a long-term influence on the DC investment strategy which it could use to improve climate-related metrics. Therefore, it was viewed as proportionate to use a lower cost and time-intensive approach to measuring the DC Section metrics.
- b. Further, given both the relatively small size of DC assets compared to DB assets, the results for the DC Section are considered of lower importance at an overall Scheme level. Again, the Trustee therefore viewed it as proportionate to use a lower cost and time-intensive approach to measuring the DC Section metrics.
- c. Finally, the Trustee did initially attempt to use actual underlying security holdings data where data is available (following the same approach as for the DB Section), but the process for obtaining the data became more time consuming than expected, again highlighting the appropriateness of the proportionate approach set out under the two points above.

As outlined earlier, the Trustee's investment consultant researches and considers possible ways to improve data quality across asset classes, including sovereign debt and cash, on an ongoing basis. As developments are made in the area, the Trustee expects its investment consultant to bring potential methods for improvement to IFC meetings for the committee to consider.

Metrics 1 & 2:

The most popular arrangement, BlackRock DC 70/30 Global Growth, has the highest carbon footprint of the funds analysed. Furthermore, it also has the highest asset base, leading to significantly higher carbon emissions than the next most popular arrangement, BlackRock DC Pre-Retirement. This is true for both scopes 1 & 2 and scope 3 emissions. However, this may in part be affected by the comments below.

There is no industry consensus on the methodology of calculating sovereign bonds carbon emissions, which affects the emissions calculations for each of the BlackRock DC Index-linked Gilt, BlackRock DC Cash and the BlackRock DC Pre-Retirement. This is something the Trustee is looking to include in future reports as developments are made and the industry reaches a consensus. Due to this, it is, at this stage, difficult to draw conclusions from this data.

These metrics stayed broadly consistent from 2022 to 2023, with no material changes, leading to no changes in conclusions.

Metric 3:

The results broadly align with those of metrics 1 and 2, with the analysis showing BlackRock DC 70/30 Global Growth to be significantly more exposed to the climate transition than BlackRock DC Pre-Retirement.

Similar to above, these results are limited by the treatment of sovereign debt and cash, which a stress is not currently estimated for. This limits the usefulness of this metric.

As for the DB Section, the Trustee is reviewing the usefulness of this metric.

Metric 4:

A Science Based Targets Initiative Rating cannot be obtained when using asset class assumptions, as its calculation requires data on the actual underlying holdings of a fund to determine the proportion of assets invested with companies that are classified as being aligned with the goals set out in the Paris Agreement. Therefore, this analysis is not available for any of the DC funds as asset class assumptions have been used.

Note: All analysis is provided by the Scheme's investment consultant, Redington Ltd ("Redington"), and the data in the report is sourced from MSCI ©. Please refer to the data disclaimer in Appendix D.

Appendix A: Sustainable Investment Beliefs Statement

The Trustee previously agreed its sustainable investment beliefs as articulated in the statement below. This details the governance framework which was adopted by the Trustee in 2020 to approach matters relating to sustainable investment.

"We believe that Environmental (including Climate Change risks), Social and Governance issues are complex, multifaceted and may impact the value of our investments. We consider these risks to be of concern over the short, medium and long term. For example, the physical risks associated with climate change are likely to only manifest over the medium to longer term, however regulatory and transition risks are clearly present now and we should factor this into our decision making.

Further to this, we aspire to align with our corporate sponsor by dedicating resource to considering how the Scheme could potentially achieve net-zero carbon emissions by 2035. We recognise that at the current time it is not obvious how we can do this, but we will work with our asset managers and advisors to move towards this target, and report on our progress on an annual basis. It may mean that we have to consider new opportunities that we are not yet familiar with. We will have to dedicate significant time to ensure that we continue to understand the implications of our decisions. We will only take action when we are comfortable it is consistent with our fiduciary duty and in the best financial interests of our members. Whilst we have not yet approached members to ask for their views on ESG issues, it may be appropriate to do so for some sections of the Scheme in the future.

We believe that by adopting this objective we are having a positive impact as part of the transition to a more sustainable, low carbon economy. We recognise that other investment opportunities may arise to be impactful, however we may not have the time or resources to access them. We will rely on our advisors to provide appropriate opportunities for us to review.

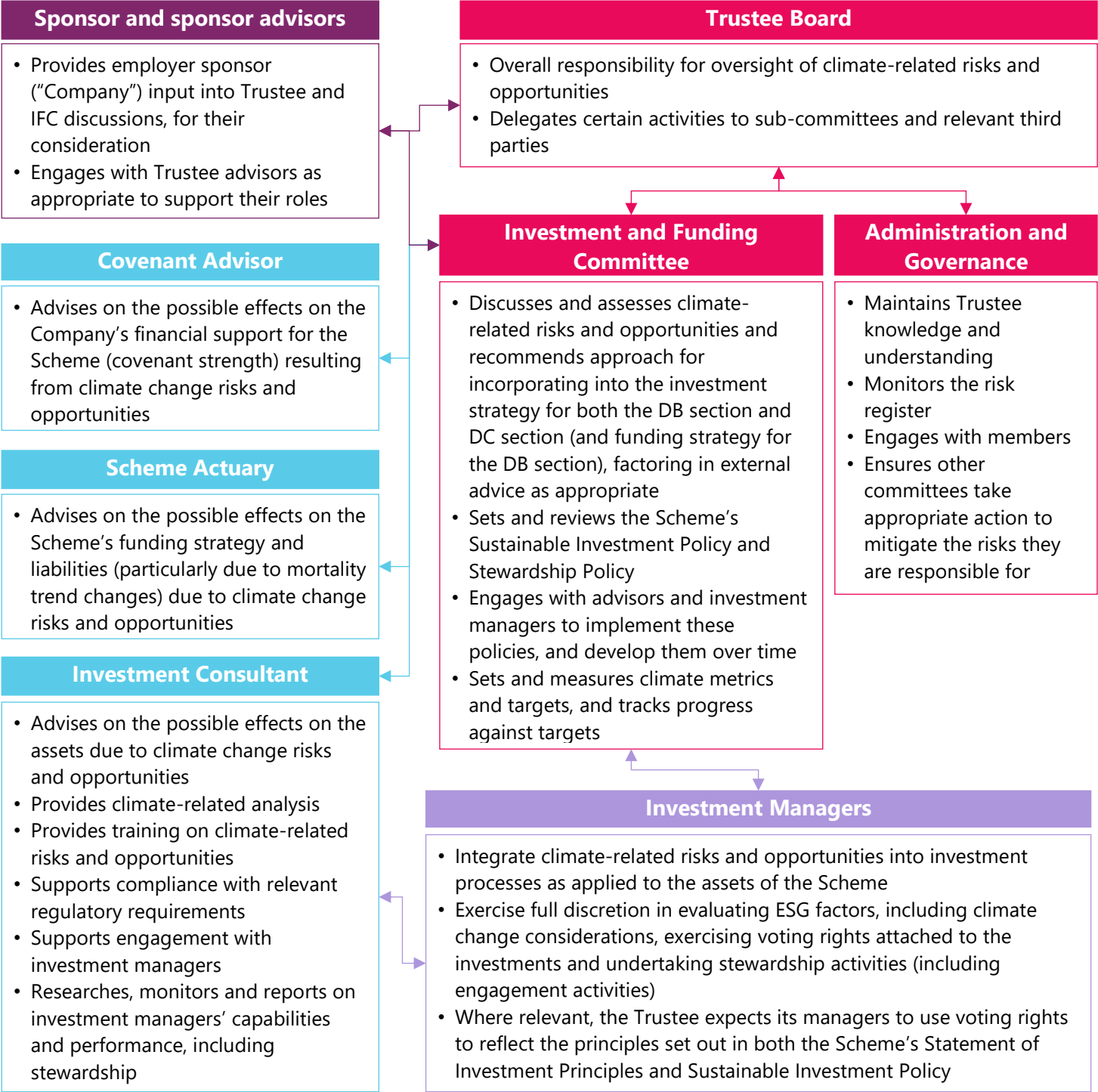
Whenever we select new investment managers we must make ourselves comfortable that they can adequately manage ESG-related risks and invest in line with our beliefs. Managers should be periodically reviewed and held to account. If we are not satisfied that our managers are investing responsibly, we will engage with them to try to improve, but ultimately will terminate their mandate if improvements are not made.

Stewardship and effective engagement are important tools to achieving more sustainable outcomes. All of our managers should exhibit good stewardship practices and we monitor to them to ensure they do so.

To inform our view of best practice, we will engage with our peers and other industry practitioners. We have an ambition to become a vocal, public leader in the field of responsible investment. We believe it is important to be transparent, continually learn from our practices and share our experiences with members and peers."

The Trustee's Sustainable Investment (SI) Policy builds on the investment beliefs statement above, reflecting further deliberations by the Trustee over ways to achieve its sustainable investment ambitions, including the net zero goal.

Appendix B: The Scheme's Climate Governance Structure



Appendix C: Summary of Prior Year Scenario Analysis

As outlined in the 'Strategy' section, the Trustee completed climate scenario analysis for the DB Section and DC Section as at 31 December 2022. For the DB section, this included quantitative analysis on assets and liabilities alongside qualitative consideration of the sponsor covenant. For the DC section, this included quantitative analysis on the popular arrangements which represent more than 10% of DC assets, which includes the BlackRock 70:30 Global Growth Fund, BlackRock Pre-Retirement Fund, BlackRock Index-linked Gilt Fund and BlackRock Cash Fund.

The Trustee undertook this scenario analysis consistent with the Network for Greening Financial System ("NGFS") scenarios. The Network for Greening the Financial System (NGFS) is a group of 91 central banks and supervisors and 14 observers committed to sharing best practices and developing environment related risk management in the financial sector and mobilising mainstream finance to support the transition.

The NGFS scenarios have been developed to provide a common starting point for analysing climate risks to the economy and financial system and incorporate important themes including increasing electrification and a spectrum of new technologies to tackle remaining hard-to-abate emissions. These scenarios incorporate the potential impacts of actions which might be taken by governments, central banks and other entities because of temperature increases.

NGFS explored scenarios consistent with the framework published in the First NGFS Comprehensive Report covering:

- **Orderly (1.5°C or 2°C)** - climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
- **Disorderly (1.5°C or 2°C)** - higher transition risk due to policies being delayed or divergent across countries and sectors. For example, carbon prices would have to increase abruptly after a period of delay.
- **Hot house world** - some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts like sea-level rise.

MSCI ESG Research leverages the NGFS scenarios to create its "Climate Value-at-Risk (Climate VaR)" metric. Note that this is not a probabilistic VaR but their naming convention for their scenario analysis. MSCI's stresses assess how an investment portfolio could be impacted by climate policy risk (transition risk) and extreme weather (physical risk) under each scenario. Each stress is presented as the annual cost, discounted using company-specific WACC to today, calculated as a % of current Enterprise Value. The stress reflects the full time series of costs to 2100 (not annualised), with 15 years modeled using detailed cost estimates and the rest using MSCI's proprietary cost profile modeling.

A notable limitation to the NGFS scenarios in their current form is that the physical stress is currently modelled the same across all scenarios, assuming business-as-usual policy implementation. The introduction of scenario-specific physical risk analysis could have an effect on the scenario analysis results, but this is not expected to be material given the discounting approach used within the modelling.

The Scheme Actuary noted that their projections were subjective and arguments could be made for different outcomes.

In their input into the scenario analysis from a sponsor covenant perspective, the Trustee’s covenant advisor noted that it did not have data on risks specific to the Scheme’s direct sponsors, so assumed that the key climate risks to the covenant are similar to those for the wider Group, which it did have data for. The analysis was also largely dependent on the outcome of the Group’s ongoing business transformation plan, which is subject to change.

DB Section:

The table below displays the results of this scenario analysis on the funding position of the Scheme (on a Technical Provisions basis) as at 31 December 2022, incorporating the asset stress provided by the Trustee’s investment consultant and longevity stress on the liabilities provided by the Scheme Actuary.

The Technical Provisions basis was used because this is the basis on which any additional deficit recovery contributions from the Sponsor would be calculated.

Effects of the climate scenarios on interest rates were modelled consistently on the assets and liabilities by the investment consultant. Inflation effects were not included in the results below as these are not yet allowed for in the NGFS scenarios, but the Trustee is comfortable with this approach, given that the LDI portfolio is used to fully hedge inflation risks to the Technical Provisions funding level.

The results of the scenarios provided the Trustee with an overview of how resilient the investment strategy and funding strategy were across various different climate change outcomes. Note: this did not allow for changes within the investment strategy that are expected over that time, for example the likely de-risking of the investment strategy into LDI. It is expected that the results will improve as the Scheme de-risks.

Scenario	Impact on assets (%)	Longevity impact on liabilities (%)	Total* impact on liabilities (%)	Impact on funding level (%)	Impact on net asset-liability position (i.e. surplus/deficit) (£m)
1.5°C Orderly Transition	-4.4%	+0.3%	-3.2%	-1.2%	-£14m
2°C Orderly Transition	-1.9%	+1.8%	0.0%	-1.8%	-£26m
1.5°C Disorderly Transition	-17.8%	-1.1%	-8.8%	-9.5%	-£116m
2°C Disorderly Transition	-10.8%	-1.8%	-6.7%	-4.2%	-£50m
Hot House World	-1.8%	-3.7%	-5.5%	+3.7%	+£52m

*As noted above, inflation effects are not included in the scenarios. This includes interest rates and longevity.

As shown in the table above, the Scheme’s funding position was expected to worsen under the majority of scenarios. Though there were some scenarios (i.e. orderly transitions) where there was expected to be an increase in longevity (i.e. increased life expectancies), and so an increase in liabilities, the modelled interest rate effects mean that there were no scenarios where the total liabilities were

expected to increase. However, under all scenarios bar the Hot House World, the adverse effect on asset values (which included broadly corresponding interest rate effects through the liability hedging strategy) was modelled to have a larger negative funding impact than the positive funding impact from the liability reductions.

The scenarios with the greatest transition risk present (i.e. the disorderly transitions) were expected to result in the worst funding outcomes. Whilst the disorderly transitions were expected to cause a reduction in life expectancy (i.e. decreasing liabilities due to reduced longevity), this was more than offset by expectations of large adverse effects on asset values. This effect was exacerbated for the 1.5°C scenario, where a greater transition from the present state would be required compared to the 2°C scenario.

The Hot House World scenario, which assumes low transition risk but high physical risk, was expected to have a positive funding outcome. However, this was due to the relatively low asset impact being outweighed by the larger magnitude liability impact, which was majorly driven by reduced life expectancies. The relatively low asset impact was due to the physical risk and transition risk present in the scenario and how the impacts for each scenario are discounted back to present day; whilst Hot House World is the scenario with the greatest physical risk, this risk is projected to occur further in the future than transition risk (which is largely in the next decade or so), so it is discounted over a longer period and results in a lower present day value of the impact.

Covenant scenario analysis

The Trustee engaged with its covenant advisor to understand how the Company, and the covenant support provided through Atos SE group ("the Group"), may be affected by various climate-related scenarios, recognising that any potential impact on the Company or the Group may have an impact on the resilience of the near-term or longer-term funding strategy of the Scheme.

The covenant advisor considered the same climate scenarios as used for the investment and funding scenario analysis set out above. They found that the Group was exposed to risks such as higher cost of emissions (e.g. carbon taxes), particularly under faster transition scenarios. The Group was also exposed to physical risk, both in the shorter and longer term, but with a wider range of and more pronounced physical risk implications in the longer term (e.g. extreme weather events, rising sea levels); however, the scenario analysis under the Hot House World scenario suggested that this would be less challenging for the Scheme as its need for financial support from the Group was expected to be lower. Therefore, the main risk to the Scheme's funding resilience under different climate scenarios was the potential for the additional Scheme funding that may be required under the four transition scenarios (i.e. 1.5°C/2°C Orderly/Disorderly Transition) to be unaffordable for the Company and the Group. The Trustee also noted that, at the time of publication of the 31 December 2022 report, the Group was, and still is, in a period of business transformation. This could have an impact on the covenant support and funding strategy for the Scheme, to the extent the scenarios affect the covenant and, therefore, the resilience of the funding strategy. The Trustee will consider this further once the transformation has concluded and report on any potential impact on the funding strategy in future TCFD reports.

The Trustee will also continue to work with the covenant advisor to monitor the Company's progress towards net zero, which should help to mitigate adverse transition costs.

The Group outlined the following key risks as part of its climate strategy: changes to regulations, climate change events and energy usage constraints. However, it considered that they each have a low negative impact and set out its approach to mitigation.

The Trustee, with advice from its covenant advisor, has considered further key challenges for the Group, such as reducing carbon emissions in line with its 1.5°C SBTi commitment, shifting to renewable energy, ensuring proper implementation of its environmental program and actions plans, decarbonising its supply chain and decarbonising digital solutions. The Trustee is aware that the additional funding requirements of the Scheme resulting under some of the climate scenarios could place strain on the covenant, but recognised that the Group was taking steps to mitigate climate risk, for example, through its active emissions reduction strategy.

DC Section:

The climate scenario analysis for the DC Section focused on the following investment funds, which are the funds, which represented more than 10% of DC Section assets. These represented around 96% of total DC Section assets as at 31 December 2022:

- BlackRock DC 70/30 Global Growth
- BlackRock DC Pre-Retirement
- BlackRock DC Index-linked Gilt
- BlackRock DC Cash

The same five NGFS climate scenarios as considered for the DB Section were considered for the DC assets. The results of the climate scenario analysis on the above DC investment funds as at 31 December 2022 are displayed below:

Scenario	BlackRock DC 70/30 Global Growth	BlackRock DC Pre-Retirement	BlackRock DC Index-linked Gilt	BlackRock DC Cash
1.5°C Orderly Transition	-25.6%	-1.0%	0.0%	0.0%
2°C Orderly Transition	-15.1%	-0.6%	0.0%	0.0%
1.5°C Disorderly Transition	-53.4%	-4.5%	0.0%	0.0%
2°C Disorderly Transition	-43.7%	-2.8%	0.0%	0.0%
Hot House World	-13.6%	-0.6%	0.0%	0.0%

Further to the limitations of the scenario analysis outlined in the 'Strategy' section, the usefulness of this modelling is limited further for the DC Section due to the treatment of sovereign debt and cash,

which a stress was not estimated for. This means there were no results to consider for BlackRock DC Index-linked Gilt or BlackRock DC Cash, and it also further limited the usefulness for BlackRock DC Pre-Retirement as it is largely made up of sovereign debt.

Where the results were available, for BlackRock DC 70/30 Global Growth and BlackRock DC Pre-Retirement, the modelling suggested a negative impact on asset values, and therefore pension pot sizes, under all scenarios. The scenarios with a disorderly transition were modelled to have a materially worse impact.

Where deemed appropriate and to the extent relevant and possible, the Trustee will consider how to use such analysis in decisions relating to the investment strategy in future.

The Trustee's investment consultant researches and considers possible ways to improve data quality across asset classes, including sovereign debt and cash, on an ongoing basis. As developments are made in the area, the Trustee expects its investment consultant to bring potential methods for improvement to IFC meetings for the committee to consider.

Appendix D: Metrics Methodologies and Assumptions

Key notes on the methodologies, including assumptions, used for the four climate metrics are set out below.

1. Absolute emissions:

The Trustee monitors the total greenhouse gas emissions of the Scheme's assets. 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 carbon dioxide ("CO₂"), methane ("CO₄"), and nitrous oxide ("NO₂"). Recognised protocol is to aggregate these emissions and translate them to a carbon dioxide equivalent ("CO₂e") for consistency of measurement and reporting.

There are three scopes of carbon emissions:

- **Scope 1** emissions are direct emissions from an entity's owned or operationally controlled sources;
- **Scope 2** emissions are those from the use of electricity purchased by an entity;
- **Scope 3** emissions are indirect emissions from the use of company's products, or any other emissions across its supply chain.

For a pension scheme, scope 1 emissions include the use of gas fuel and refrigerants in the office whilst scope 2 emissions include the use of electricity in the office buildings. Therefore, the most significant emissions relating to a pension scheme are its scope 3 emissions, (i.e. the emissions of the assets held by the Scheme). The Trustee monitors the scope 1, 2 & 3 emissions of the assets and does not report on its own scope 1 & 2 emissions.

There is inherent double-counting of emissions in the current greenhouse gases protocol and no clear guidance on how to combine scope 1 & 2 and scope 3 emissions to allow for this double-counting. Therefore, the Trustee has reported scope 1 & 2 and scope 3 emissions separately.

The analysis is performed at a fund level. This is based on the line-by-line holdings data for liquid funds where data availability is 50% or greater and short holdings don't exceed 2% of the strategy (which includes the Scheme's equity fund and two of its four liquid credit funds), and asset class assumptions are used for the remaining funds.

The Trustee notes using asset class modelling of emissions for assets where this data is not available enables a more holistic view of the Scheme's total portfolio emissions, albeit recognising that the modelled data is not perfect.

The asset class modelling of emissions has been provided by the Trustee's investment consultant and is based on asset class "building blocks". These are either calculated directly using a given index's underlying holdings emissions (such as using MSCI ACWI as a proxy for a broad equity fund) or in some cases these indices are used and extrapolated to other asset classes based on given assumptions (such as using the emissions of infrastructure firms within an index to proxy an infrastructure fund).

2. Emissions intensity:

The Trustee monitors carbon footprint as its emissions intensity metric. Carbon footprint measures the carbon efficiency of a portfolio in terms of emissions per million pounds invested. It normalises the

total financed emissions for the value of the portfolio. In other words, as it shows the emissions per millions of pounds invested, the metric is comparable between investments of different sizes.

At a portfolio level, the emissions intensity measures are calculated as the average of the emissions intensity of the underlying holdings, weighted by the value of each holding. A portfolio with a high emissions intensity will have a steeper route towards decarbonisation than a less intensive one. Hence, measuring the emissions intensity across the Scheme is useful to gauge how difficult (or easy) it will be to progressively decarbonise portfolios.

Differences in portfolio emissions intensities are driven by differences in sector and company exposure. Portfolios with higher exposures to high-carbon sectors such as utilities, non-energy materials, energy and industrials tend to exhibit higher emissions intensities.

The same notes on methodology and assumptions that apply for the Absolute Emissions metric apply here.

For the target based on this metric, the Trustee applied a 0.22 deduplication multiplier to all portfolio companies' scope 3 emissions, to adjust for the double counting incurred by aggregating scope 3 emissions with scope 1 and 2 emissions. This is the discount factor applied by the Scheme's ESG data provider, MSCI, and it is based on the relationship between the total scope 1 and scope 3 emissions of a company.

3. Additional climate change metric

For the non-emissions-based metric, the Trustee has opted to utilise the NGFS 2°C Disorderly Transition stress. The methodology for this stress test is detailed in Appendix C, but with the DB Section scenario analysis focused only on the assets within the DB Section, rather than the full funding stress. The reason for this approach is to make the metric more useful in day-to-day investment decision-making.

4. Portfolio alignment

The Trustee agreed to adopt the Science Based Target's initiative assessment score as the Scheme's portfolio alignment metric, which captures a company or issuer's progress against a self-developed decarbonisation target using science-based methodology.

The target can be aimed at one or all of; the short term, long term or Net Zero, with each company being scored with a binary yes or no assessment on the following target categorisations: "SBTi Approved 1.5 C", "SBTi Approved Well Below 2 C" or "SBTi Approved 2 C". Each of the categorisations all denote the implied global temperature increases that coincide with the decarbonisation target.

The "SBTi Approved 2 C" categorisation will be gradually phased out in line with the initiative's raised ambition to 1.5C. In the immediate term, the Trustee will continue to report under the "SBTi Approved 2 C" categorisation to capture companies currently on a 2C path until they increase their target ambition to 1.5C in the next few years.

Asset class assumptions cannot be used here, so the SBTi score of illiquid assets is proxied as nil.

Fund	Fund Value (£m)	MSCI Climate Metrics Coverage %	Carbon Emissions (tCO2e)				Carbon Intensity (tCO2e / EVIC £m)				
			Current – Scope:		Previous – Scope:		Current – Scope:		Previous – Scope:		
			1+2	3	1+2	3	1+2	3	1+2	3	
Liquid Markets (Equities)											
LGIM FTSE TPI Global (ex Fossil Fuel) Equity Fund (OFC)	92.4	97.2%	3,045	27,719	2,724	19,997	33.0	300.0	34.5	253.5	
Liquid and Semi-Liquid Credit											
Federated Hermes Absolute Return Credit Fund	19.2	-	1,545	8,414	1,958	10,423	80.4	437.6	104.5	556.2	
Amundi Buy & Maintain Fund	217.3	98.9%	7,964	50,455	9,468	45,797	36.6	232.2	46.0	222.7	
Insight Buy & Maintain Bond Fund	213.0	77.1%	14,189	48,253	7,271	47,007	66.6	226.6	36.4	235.3	
PIMCO Low Duration Opportunities Fund	54.9	-	3,527	19,211	4,399	23,412	64.3	350.1	83.6	444.9	
Illiquid Credit											
Mercer Private Investment Partners III Fund (Offshore)	19.0	-	3,174	14,961	6,471	33,950	167.0	787.1	191.7	1,005.9	
Mercer Private Investment Partners IV SICAF-SIF - Senior Private Debt Fund	45.9	-	7,660	36,112	8,013	42,041	167.0	787.1	191.7	1,005.9	
Mercer Private Investment Partners V SICAF-SIF - Senior Private Debt Fund	58.0	-	9,678	45,623	8,977	47,099	167.0	787.1	191.7	1,005.9	
Illiquid Markets											
LGIM LPI Income Property Fund	54.5	-	372	2,733	2,158	7,411	6.8	50.2	13.1	44.9	
Mirova Energy Transition 5 Fund	35.6	-	54	1,630	18	1,308	1.5	45.9	0.9	62.1	
Stonepeak Global Renewables Fund	12.7	-	19	582	14	959	1.5	45.9	0.9	62.1	
TOTAL PORTFOLIO	822.3		51,227	255,693	51,471	279,404	62.0	311	58.3	316.3	

All “Current Total Portfolio” figures in this table are weighted averages with the exception of “Fund Value” and “Absolute Carbon Emissions (tCO2e)”.

“Absolute Carbon Emissions (tCO2e)” is calculated using the notional value of the fund. “Fund Value (£m)” shows the mark-to-market value of the fund.

“Previous” figures show climate metrics from 12 months prior to “Current” figures. Fund-level “Previous” figures may not sum to the “Previous Total Portfolio” figures because the “Total Portfolio” values may contain funds that have now been divested from and not reported in this table.

Carbon metrics are proxied where there is insufficient data for funds. In these instances, no figure is shown for MSCI Climate Metrics Coverage.

Scope 3 emissions have been de-duplicated in the “Total” columns by a factor of 0.22.

ESG and MSCI Carbon Metrics meet the current minimum UK DWP’s TCFD-aligned “Metrics and Targets” regulations. However, regulations are subject to change. Redington monitors developments closely.

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Appendix E: Glossary of Terms (ESG and Carbon Metrics)

Enterprise Value Including Cash (EVIC): Defined as the sum of market capitalisation of shares and book values of total debts and minority interests at fiscal year end. No deductions of cash or cash equivalents are made to avoid potential negative enterprise values. This is the recommended denominator metric for carbon attribution according to the GHG Protocol, the global standard for carbon accounting endorsed by the European Union and the DWP.

Estimated Scope 3 Carbon Footprint (tCO₂e / EVIC £m): Measurement of the estimated scope 3 CO₂e emissions of a fund per million pounds of EVIC. Scope 3 emissions refer to all those that are not in direct control of a company's productive activities. Namely, all those emissions from a company's upstream supply chains and downstream product use by the consumer.

Estimated Total Mandate Carbon Emissions (tonnes): Represents the total share of scope 1, scope 2 and scope 3 carbon emissions a fund is responsible for. Please note the metric is sensitive to the investment holding size in the fund.

MSCI Climate Metrics Coverage: The proportion by value of a fund for which carbon metrics are available from MSCI. Climate metrics are proxied where coverage is low and in this case, the MSCI Climate Metrics Coverage will be “-”.

Scope 1 & 2 Carbon Footprint (tCO₂e / EVIC £m): Measurement of the scope 1 & 2 CO₂e emissions of a fund per million pounds of EVIC. Scope 1 emissions refer to those which are directly connected to the production of a company's product or service. For example, the burning of fossil fuels to power the electricity grid. Scope 2 emissions refer to those from the electricity used to power the facilities and machinery of a company.

Total Carbon Footprint (tCO₂e / EVIC £m): Measurement of the CO₂e emissions of a fund per million pounds of EVIC using scope 1, scope 2 and scope 3 emissions. Given a company's direct scope 1 emissions will inevitably be another company's indirect scope 3 emissions, aggregating the individual scope emissions results in a higher number of emissions than exists. To mitigate double-counting, we apply a scaling factor in accordance with MSCI's methodology. This metric may be used to assess a fund's contribution to global warming versus other funds. Previous Total Carbon Emissions (tCO₂e / £m invested) are estimated by looking at the funds' respective holdings and emissions 12 months ago.

Tonnes of Carbon Dioxide Equivalents (tCO₂e): Tonnes of greenhouse gases including methane, nitrous oxide, carbon dioxide, and fluorinated gases. Given the abundance and prominence of carbon as a greenhouse gas, all the other gasses are considered carbon equivalents.

SBTi Score: The Science-Based Targets initiative (“SBTi”) sets out a framework through which companies can set out their decarbonisation pathway and have them assessed against the goals set out in the Paris Agreement – limiting global warming to 1.5°C above pre-industrial levels or well-below 2°C. The SBTi Score is the proportion of assets invested that are classified as being Paris-aligned.