TCFD report for year ending 31 March 2022

GE Pension Plan

Produced by: GE Pension Trustees Limited

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Introduction

Climate change is affecting the planet, causing extreme weather events, impacting crop production and threatening Earth's ecosystems. Understanding the impact of climate change and the Plan's vulnerability to climate-related risks will help us to mitigate the risks and take advantage of any opportunities.

The Taskforce on Climate-related Financial Disclosure ("TCFD") is an initiative that developed some best practice guidance for climate-risk reporting. New UK regulations require the trustees to meet climate governance requirements and publish an annual TCFD-aligned report on their pension scheme's climate-related risks.

Better climate reporting should lead to better-informed decision-making on climate-related risks. And on top of that, greater transparency around climate-related risks should lead to more accountability and provide decision-useful information to investors and beneficiaries.

This document is the first annual TCFD report for the General Electric Pension Plan ("the Plan"). It has been prepared by GE Pension Trustees Limited ("the Trustee") for the year ended 31 March 2022.

Executive summary

This statement sets out the approach of the Trustee with regards to assessing, monitoring and mitigating climate-related risks in the context of the Trustee's broader regulatory and fiduciary responsibilities to their members.

The Trustee has considered carefully the recommendations set out by the Taskforce on Climate-Related Financial Disclosures ("TCFD") and the Trustee will use them to continue to assess, monitor and mitigate climate-related risks on behalf of its members. This is the Trustee's first disclosure under the framework and this statement is therefore expected to evolve over time.

This statement has been prepared in accordance with the regulations set out under "The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021" and provides a status update on how the Plan is currently aligning with each of the four elements set out in the regulations (and in line with the recommendations of the TCFD). The four elements covered in the statement are detailed below:

- **Governance:** The Plan's governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the Plan's strategy and financial planning.
- **Risk Management:** The processes used to identify, assess and manage climate-related risks.
- **Metrics and Targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The following pages summarise the Trustee's current position with regards to the TCFD recommendations in the Department for Work and Pensions' (DWP's) regulatory context.

Governance

Governance

Trustee Board oversight statement

The Trustee aims to help improve the long-term future of the global environment through its investment decisions. This is aligned with protecting the best interests of future generations including the Plan’s members and their beneficiaries.

If not carefully assessed and mitigated, the risks associated with climate change may have a materially detrimental impact on the Plan's investment returns within the time horizons with which the Trustee is concerned.

Climate-related factors are also likely to create investment opportunities. Where possible, and appropriately aligned with its strategic objectives and fiduciary duty, the Trustee will seek to monitor and manage these risks and capture such opportunities through its investment portfolio.

The Trustee acknowledges that there are both long- and short-term risks associated with climate change, and so considers the following time horizons:

- short term: 1 to 3 years.
- medium term: 4 to 10 years.
- long term: 11 to 20 years.

Climate-related risks and opportunities are assessed over the above time horizons, and where appropriate, the Trustee seeks to consider transition and physical risks separately.

Role of the Trustee Board

The Trustee Board is ultimately collectively responsible for oversight of all strategic matters related to the Plan. This includes approval of the governance and management framework relating to environmental, social and governance (“ESG”) considerations and climate-related risks and opportunities.

The Trustee has discussed and agreed its climate-related beliefs and overarching approach to managing climate change risk. Details are set out in the Statement of Investment Principles (“SIP”) and the Responsible Investment (“RI”) policy and are reviewed and (re)approved annually by the Board.

From time to time, the Trustee Board receives training on climate-related issues to ensure that it has the appropriate degree of knowledge and understanding on these issues to support good decision-making. The Trustee expects its advisers to bring important and relevant climate-related issues and developments to the Trustee’s attention in a timely manner.

The Trustee Board has delegated day-to-day oversight of the initial implementation of the Plan’s framework relating to ESG to the TCFD Working Party. The TCFD Working Party keeps the Trustee Board apprised of developments through regular updates. Once the framework has been agreed, the Trustee Board has delegated ongoing monitoring and implementation of the framework to the Funding and Investment Committee ("the F&IC").

Role of the TCFD Working Party

The Trustee Board set up a temporary TCFD Working Group in early 2021, which is comprised of five Trustee Directors, to recommend an appropriate climate risk framework to the Trustee Board, after which responsibility for monitoring of the Plan's climate risk approach was taken up as described above.

Following the Trustee Board's agreement of the Plan's climate change risk management framework, the TCFD Working Party passed responsibility to the Funding and Investment Committee for ongoing monitoring.

Role of the Funding and Investment Committee

The expectation is that the F&IC will monitor and review progress against the Plan's climate change risk management approach on a quarterly basis, with the initial framework having been agreed with the TCFD Working Party and Trustee Board.

The F&IC will keep the Trustee Board apprised of any material climate-related developments through regular (typically quarterly) updates.

Implementation is detailed later in this report but key activities delegated to the F&IC include:

- ensuring investment proposals explicitly consider the impact of climate risks and opportunities.
- engaging with the fiduciary manager (and underlying managers if required) to understand how climate risks are considered in their investment approach.
- working with the fiduciary manager (and underlying managers if required) to disclose relevant climate-related metrics as set out in the TCFD recommendations.
- ensuring that stewardship activities are being undertaken appropriately on the Plan's behalf.

Role of the fiduciary provider

The Trustee Board has agreed that the Plan's fiduciary manager, State Street Global Advisers ("SSGA") will help the Trustee understand how they and the underlying managers consider climate change risk in their investment approach and work with the underlying managers to disclose relevant climate-related metrics as set out in the TCFD's recommendations.

Role of the Common Investment Fund ("the CIF")

The Trustee Board has agreed that the CIF will review and facilitate climate risk management and opportunities through economies of scale in the investment strategy and will help deliver simplified climate reporting (to be agreed) to all key stakeholders.

Role of the DC Provider

The Trustee has agreed that the Plan's DC provider, Legal & General, will be responsible for day-to-day management of the DC assets and will help the Trustee understand how they can support in providing the necessary information and data required to meet the requirements of the TCFD.

Role of external advisers

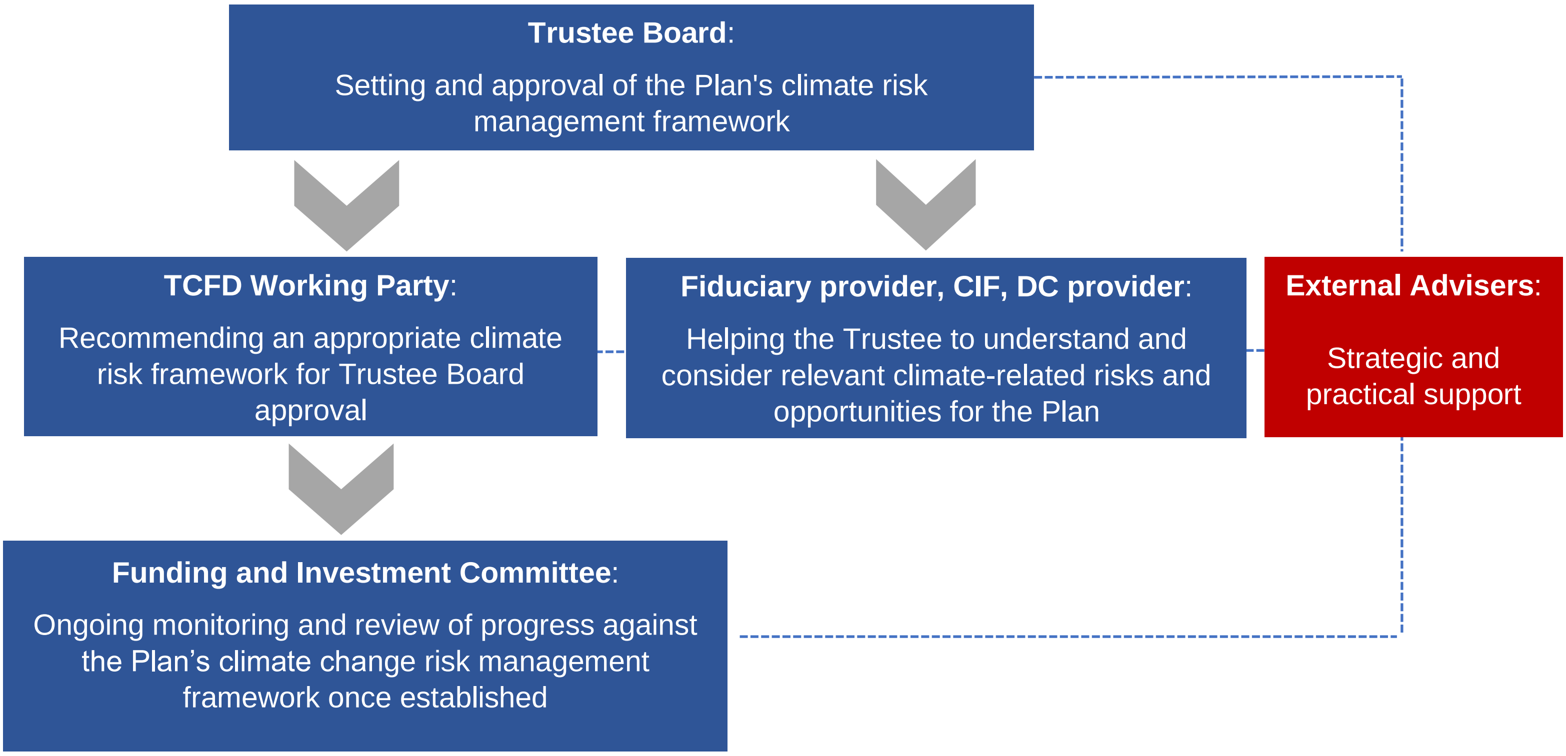
The Trustee has agreed the following roles for its relevant external advisers:

Investment advisers: the Trustee's investment advisers, Aon and Hymans Robertson, provide strategic and practical support to the TCFD Working Party, F&IC and Trustee, in respect of the DB and DC sections respectively. This includes support in respect of the management of climate-related risks and opportunities and ensuring compliance with the recommendations set out by the TCFD. This includes provision of regular training and updates on climate-related issues and climate change scenario modelling to enable the TCFD Working Party, F&IC and Trustee to assess the Plan's exposure to climate-related risks.

Scheme Actuary: the Scheme Actuary, Gareth Boyd of WTW, will help the Trustee assess the potential impact of climate change risk on the Plan's funding assumptions.

Covenant adviser: The Trustee's covenant adviser, Penfida, will help the Trustee understand the potential impacts of climate change risk on the sponsor covenant of the principal and participating employers of the Plan.

The organisational structure of the Trustee Board, the F&IC and their supporting external and internal parties is illustrated by the chart below.



Strategy

Assessing climate-related risks and opportunities

Assessing the climate-related risks and opportunities the Plan is exposed to is key to understanding the impact climate change could have on the Plan in the future.

The Trustee has carried out a qualitative risk assessment on each asset class the Plan is invested in. From this the Trustee has identified climate-related risks and opportunities which could have a material impact on the Plan.

The Plan's DB investment portfolio is diversified across a range of different asset classes including global equities, private equity, fixed interest bonds, multi asset credit, property, property debt, and hedge funds. There is also a DC Plan which offers a range of lifestyle strategies, one of which is the default option. The Plan also offers a range of self-select funds.

Given the number of asset classes used in the Plan, the Trustee has completed a best endeavours exercise to analyse the climate-related risks of each asset class.

Risk categories

In the analysis, the climate-related risks have been categorised into physical and transitional risks.

Transitional risks are associated with the transition towards a low-carbon economy.
For example, shifts in policy, technology or supply and demand in certain sectors.

Physical risks are associated with the physical impacts of climate change on companies' operations. For example, extreme temperatures, floods, storms or wildfires.

Ratings

The analysis uses a RAG rating system where:

Red denotes a high level of financial exposure to a risk.

Amber denotes a medium level of financial exposure to a risk.

Green denotes a low level of financial exposure to a risk.

Time horizons

The Trustee assessed the climate-related risks and opportunities over multiple time horizons. The Trustee has decided the most appropriate time horizons for the Plan are:

- short term: 1-3 years.
- medium term: 4-10 years
- long term: 11-20 years

When deciding the relevant time horizons, the Trustee has taken into account the liabilities of the Plan and its obligations to pay benefits.

Climate-related risk assessment

The TCFD Working Party, via the Fiduciary Manager, asked their managers to provide their own assessments of climate-related risks and opportunities associated with the mandates they manage on behalf of the Plan over the short, medium and long-term, together with their reasoning and rationale for each risk. The table below summarises SSGA's findings. Asset classes comprising less than 1% of Plan assets (infrastructure and illiquid credit) were excluded on grounds of materiality. In addition, LDI was excluded since it contains mostly government bonds used to hedge interest rate and inflation risk. Opportunities for the Trustee to engage with and influence governments regarding climate policies are expected to be more limited, compared to engagement with the managers and companies that the Plan invests in via SSGA in other asset classes e.g. global equities.

	Asset Class	**Global Equities**	**Private Equity**	**Fixed interest bonds**	**Multi Asset Credit**	**Property**	**Property Debt**	**Hedge Funds**	**Liabilities**	**Covenant**
	% target allocation of total DB Plan assets	11.5	6.0	9.0	3.5	7.5	2.5	5.0	N/A	N/A
Physical risks	Short term	Low	Low	Low	Low	Low	Low	Low	Low	Low/Medium
	Medium term	Medium	Low	Low to Medium	Medium	Low	Medium	Low	Low/Medium	Medium
	Long term	High	Medium	High	Medium	Medium	Medium	Medium	Medium	Medium
Transition risks	Short term	Low to Medium	Low	Low to Medium	Low to High	Low to Medium	Low	Low	Low	Low/Medium
	Medium term	Medium to High	Low to Medium	Medium to High	Medium to High	Medium to High	Medium	Medium	Low/Medium	Medium
	Long term	High	Medium	High	Medium	Medium to High	Medium	Medium	Medium	Medium
	Impact	Medium	Low	Medium	Low	Medium	Low	Low	Low/ Medium	Medium

Source: SSGA, managers

Based on the analysis completed, the Trustee identified that:

- Through engagement with the underlying investment managers SSGA have provided insightful commentary and assessment of climate risks.
- Almost all of the investment managers integrate climate change considerations into their investment process, as applicable to their strategy. The F&IC will continue to work with SSGA to understand and monitor the managers' approaches as they develop over time.
- Transition risks are generally of more concern than physical climate risks.
- There were no underlying mandates where significant concerns were raised needing immediate action.

Covenant risk

The Trustee asked their covenant adviser to carry out an assessment of the potential impact on the sponsor covenant of climate related risks, in the climate related scenarios the Trustee looked at their analysis of the Plan's assets and liabilities (which is described in more detail later on in this report). The findings are summarised below.

Summary of the covenant's overall exposure to climate change related risks in the context of the Fund's journey plan

Division	Short term impact (1-3 years)	Medium term impact (4-10 years)	Long term impact (10-20 years)	Overall
Aviation	Low to Medium	Medium	Medium	**Medium**
Power	Low to Medium	Medium	Medium	**Medium**
Renewable Energy	Low	Low	Low	**Low**
Healthcare	Low	Low	Low	**Low**
Overall	**Low to Medium**	**Low to Medium**	**Low to Medium**	**Low to Medium**

Source: Penfida

Overall the Trustee currently views the overall exposure of the covenant to climate change related risks to be low to medium in the context of the Plan's journey plan based on the climate change scenarios considered. However, the Trustee believes these risks should be monitored on an ongoing basis. As such, the Trustee will work with their covenant adviser to integrate climate related metrics into the quarterly covenant monitoring report.

Climate-related opportunities

The Trustee has also identified some climate-related opportunities across broad themes as follows:

Cleaner energy

Green power generation,
clean technology innovation,
sustainable biofuels

Environmental resources

Water,
agriculture,
waste management

Energy and materials efficiency

Advanced materials,
building efficiency,
power grid efficiency

Environmental services

Environmental
protection,
business services

Regarding specific opportunities in the Plan's investment strategy, the Trustee relies on its investment managers to take into account climate related opportunities (as well as risks) applicable for their mandates. Based on the qualitative assessment, SSGA identified the following opportunities.

Listed Equity vs Private Equity

In general, the climate-related opportunities are marginally higher for listed equity. This is mostly a reflection of the higher risks. Versus peers, listed companies have more opportunity to distinguish themselves in areas such as:

- Use of more efficient production and distribution processes (resource efficiency).
- Use of lower-emission sources of energy (energy source).
- Ability to diversify business activity (products and services).
- Access to new markets (markets).
- Participation in renewable energy programs and energy-efficient measures (resilience).

Fixed Interest Bonds v. Multi-Asset Credit

Opportunities are somewhat limited. There is some potential for companies to increase their credit rating via climate-related action. This will lower their cost of capital and provide upside to bondholders; however, upside is limited to 100% of par value upon maturity. In general, the opportunities are greater for MAC due to a broader investment universe and a mandate to be opportunistic.

Property v. Property Debt

Over the short term, there are opportunities related to increased value of physical assets that show energy efficiency and future proofing.

Over the medium to long-term, there are opportunities related to:

- Enhanced resilience of portfolio asset, through adoption of low carbon technology and energy efficiency measures.
- Development of ‘green’ assets that lead the market response to satisfy occupier expectations of a sustainable space (e.g. electric vehicle charging points and rainwater harvesting).
- Premium rental income from tenants to occupy efficient/green space.
- Greater resilience to changing weather patterns and an ability to continue operating under more extreme conditions.

Hedge Funds

Since hedge funds have the most flexibility in terms of investment mandate, the Trustee views them as having the most opportunity to capitalise on climate change. Typically, they are not constrained to track the performance of a given benchmark within a specified range. They have flexibility to short stocks deemed to have high climate-related risk. They tend to invest in niche companies that can produce idiosyncratic returns that are uncorrelated to the broad market. Finally, they tend to invest smaller pools of money which allows them to pursue opportunities that may be too small for managers who need to invest mass sums of money for clients.

Portfolio resilience and scenario analysis

The Trustee has undertaken climate change scenario analysis to better understand the impact climate change could have on the Plan's assets and liabilities.

The analysis looks at four climate change scenarios. Each scenario considers what might happen when transitioning to a low carbon economy under different conditions. The Trustee has chosen these scenarios because it believes that they provide a reasonable range of possible climate change outcomes. These scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty.

The Trustee established a "base case" scenario against which the four climate change scenarios are compared.

	1	2	3	4
Optimistic net zero (Base Case)	**Smooth transition**	**Abrupt transition**	**Orderly transition**	**Late transition**
+2ºC – 2.5ºC	**<1.5 ºC**	**1.5ºC – 2ºC**	**1.3ºC – 2ºC**	**<3ºC**
Emission reductions start now and continue in a measured way in line with the objectives of the Paris Agreement and the UK government's legally binding commitment to reduce emissions in the UK to net zero by 2050.	Shows how rapid advancement of green technology, private innovation and tiered environmental regulation and greenhouse gas taxes could achieve a smooth transition to a low carbon world.	Explores the impact of delayed action on climate change for five years with governments eventually forced to address greenhouse gas emissions due to increasing extreme weather events.	Considers the impact of immediate and coordinated action to tackle climate change using carbon taxes and environmental regulation.	Considers the potential impact of climate change if insufficient sustainable policy action if undertaken to manage global temperatures effectively over the next 10 years.

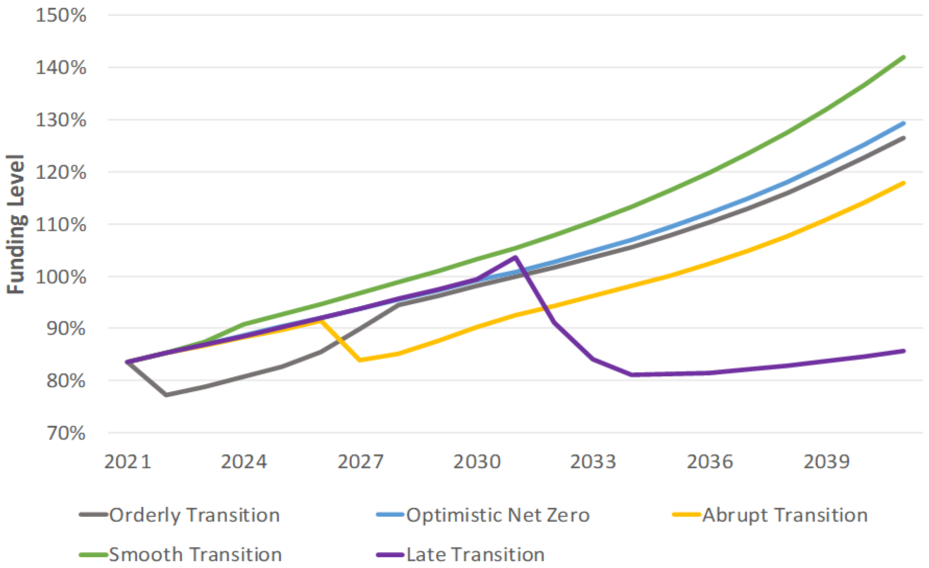
Impact Assessment – Investment Adviser (DB Section)

Based on the analysis, the Trustee considers that the investment strategy is relatively resilient to climate change risk, acknowledging that there are scenarios that could lead to a material deterioration in the funding level. The high level of diversification in the growth assets and high levels of hedging currently in the Plan's investment strategy, alongside the current covenant strength in these scenarios (as described earlier), help mitigate the risk.

Of the scenarios, the Trustee believes a Late Transition scenario to be of most concern, given the potential for this scenario to impact on the Plan's funding level within the timeframe of the existing long-term funding plans. Under that scenario, the Plan is projected to experience a significant deficit shock within the next decade.

The Trustee, supported by the F&IC, will consider further opportunities to mitigate these potential shocks, such as more climate transition focused approaches, to provide further downside protection.

Funding level projections under each climate scenario



Asset return projections under the climate change scenarios

Projected asset returns[1] (% p.a.)	Base case	Late transition	Orderly transition	Abrupt transition	Smooth transition
Short term	2.6	2.6	-2.2	2.5	2.9
Medium term	2.5	2.5	1.2	1.4	3.1
Long term	2.2	0.4	2.2	1.9	2.6
20-year	2.2	0.7	2.2	2.0	2.6

Source: Aon. At 31 March 2021.
1 Liability returns relative to gilt curve + 0% p.a.

Impact Assessment – Investment Adviser (DC Section)

The Trustee also carries out climate scenario analysis on each ‘popular’ arrangement[1] within the Plan’s DC investment strategy (including the current default strategy). The scenario analysis was based on two member personas representative of the membership, and the potential pot sizes at retirement were modelled under three different scenarios based on differing global responses to the issue of climate change ranging from immediate action to no action (”Green Revolution”, “Delayed Transition”, and “Head in the Sand”). These scenarios are broadly consistent with the scenarios the Trustee has considered in their climate risk assessment of the DB section.

The modelling undertaken focusses the riskier simulations consistent with climate scenarios. All of the climate scenarios tested could lead to worse outcomes for members of different ages. This is because each scenario is modelled as a ‘stress’ i.e. the purpose of the modelling is to test resilience in heightened market conditions.

The headline results from the modelling are as follows:

- Persona 1 - 50 year old with an £18,000 pot, retiring at 65
  Median expected outcomes are resilient across all three scenarios, lifestyle outcomes are not significantly affected, and the largest expected pot size change is estimated to only be around 5%, for an all-equity portfolio where volatility and disruption occur close to retirement.

- Persona 2, 60-year-old with a £25,000 pot, retiring at 65
  Older members are little affected. The worst scenario would be a green revolution, having an immediate impact on equities in particular. Given the lifestyle position of this member, investment de-risking is likely to have already taken place and therefore reduced equity holdings means that even in a green revolution, older members are not expected to be significantly impacted.

Source: Hymans Robertson

Overall, the Trustee has concluded that mid-term members face slightly more risk, but average expected outcomes are unchanged. Members closer to retirement are relatively immunised from expected climate risks. Based on this analysis the Trustee is not making any immediate changes at the current time, but there are a number of levers that the Trustee may look at in future in order to enhance to current arrangements in place.

[1] Popular arrangements included any funds with more than 5% of total assets and the lifestyle arrangement which c. 13% of the members by number invest in. Overall these popular funds represent 90% of total assets.

Risk management

Our process for identifying and assessing climate-related risks

The Trustee has established a process to identify, assess and manage the climate-related risks that are relevant to the Plan. This is part of the Plan's wider risk management framework and is how the Trustee monitors the most significant risks to the Plan, as part of the Trustee's efforts to achieve appropriate outcomes for members.

1

Qualitative assessment

The first element is a qualitative assessment of climate-related risks and opportunities which is prepared by the Trustee's investment adviser in conjunction with the fiduciary manager and reviewed by the Trustee.

2

Quantitative analysis

The second element is quantitative in nature and is delivered by means of climate change scenario analysis, which is provided by the Trustee's investment adviser and reviewed by the Trustee.

Together these elements give the Trustee a clear picture of the climate-related risks that the Plan is exposed to. Where appropriate, the Trustee distinguishes between transition and physical risks. And all risks and opportunities are assessed with reference to the time horizons that the Trustee has identified as relevant to the Plan.

When prioritising the management of risks, the Trustee assesses the materiality of climate-related risks relative to the impact and likelihood of other risks to the Plan. This helps the Trustee focus on the risks that pose the most significant impact.

Our process for managing climate related risks

The Trustee recognises the long-term risks posed by climate change and has taken steps to integrate climate-related risks into the Plan's risk management framework.

The Trustee has taken the following steps to integrate climate-related risks into their risk management framework and processes.

Training

The Trustee completes regular training on responsible investment to understand how ESG factors, including climate change, could impact the Plan's assets and liabilities.

Advisers

The Trustee reviews its adviser objectives to ensure advisers have appropriate climate capability, and bring important, relevant and timely climate-related issues to the Trustee's attention.

Investment strategy

The Trustee ensures that investment proposals explicitly consider the impact of climate risks and opportunities, and seek investment opportunities.

Actuarial liabilities and covenant

The Trustee ensures that actuarial and covenant advice adequately incorporate climate-related risk factors where they are relevant and material. As part of this the Trustee seeks to understand the climate-related risks to the employer over the short, medium and long term.

Managers

The Trustee engages with the investment managers to understand how climate risks are considered in their investment approach, and stewardship activities are being undertaken appropriately.

Plan documentation

The Trustee includes consideration of climate-related risks in the Plan's other risk processes and documents, such as the risk register, responsible investment and the SIP, and regularly reviews these.

Metrics and Targets

Our climate-related metrics

The Trustee uses some quantitative measures to help it understand and monitor the Plan's exposure to climate-related risks.

The Trustee's investment advisers, Aon and Hymans Robertson, collected information from the Plan's managers on their greenhouse gas emissions. The investment advisers have collated this information to calculate climate-related metrics for the Plan's portfolio.

Measuring greenhouse gas emissions

Measuring greenhouse gas emissions is key for pension schemes to assess their exposure to climate change. Greenhouse gases are produced by burning fossil fuels, meat and dairy farming, and some industrial processes. When greenhouse gases are released into the atmosphere, they trap heat in the atmosphere causing global warming and contributing to climate change.

Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard.

Scope 1	Scope 2	Scope 3
All direct emissions from the activities of an organisation which are under their control; these typically include emissions from their own buildings, facilities and vehicles	These are the indirect emissions from the generation of electricity purchased and used by an organisation	All other indirect emissions linked to the wider supply chain and activities of the organisation from outside its own operations – from the goods it purchases to the disposal of the products it sells

Scope 3 emissions are often the largest proportion of an organisation's emissions but they are also the hardest to measure. The complexity and global nature of an organisation's value chain make it hard to collect accurate data

DB Section

Total Greenhouse Gas emissions	1,186,331 tons CO_2e	The total greenhouse gas ("GHG") emissions associated with the portfolio. It is an absolute measure of carbon output from the Plan's investments.
Carbon footprint	166.5 tons CO_2e/£m	Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made.
Data quality	57.3%	A measure of the proportion of the portfolio that the Trustee has high quality data for.

Source: Aon, SSGA, MSCI.

The Trustee used MSCI to obtain total GHG emissions and carbon footprint for publicly traded securities, as well as some privately traded securities. The data was only available for the Plan's investments in equities, multi asset credit, fixed interest bonds and LDI. The data is summarised below.

Total GHG emissions (tons CO2e)

Asset class	Global Active Equity	Global Passive Equity	Multi-asset credit	Fixed Interest Bonds	LDI	Private Equity	Total
Asset allocation as at 31 March 2022	5%	1%	3%	8%	53%	9%	**79%**
Total Scope 1 & 2 emissions (tCO2e)	28,280	88	131,523	127,741	739,328	159,371	**1,186,331**
Scope 1 & 2 Carbon Footprint (Tonnes CO2e/£m invested)	78.9	2.0	593.4	236.5	195.1*	236.5	**166.5**
Data coverage	95.8%	97.8%	30.5%	28.5%	86.6%	28.5%	**57.3%**

Source: MSCI, SSGA, Aon as at 31 March 2022.
*This number represents weighted average carbon intensity of sovereign constituents in (tons CO2e/$M GDP nominal), which has been converted into GBP terms using the applicable exchange rate as at 31 March 2022.
Note: All of the above metrics were calculated through Aon's third-party license agreement with the MSCI, which provides carbon metrics data in USD covering scope 1 and 2 emissions. Aon has then converted all figures into GBP using the applicable exchange rate as at 31 March 2022. Aon has not made any estimates for any missing data.

Because data was not available on number of assets that the Plan invests in (including infrastructure, property, hedge funds and illiquid credit), the reported emissions metrics do not represent all of the Plan's GHG emissions. Therefore, the metrics shown underestimate the Plan's actual GHG emissions across the Plan's total invested assets overall. The Trustee expects that in the future, better information will be available from the managers (driven in part through continued engagement via SSGA) and this improvement will be reflected in future years' reporting.

DC Section

Total Greenhouse Gas emissions	2,707.8 tons CO_2e	The total greenhouse gas ("GHG") emissions associated with the portfolio. It is an absolute measure of carbon output from the Scheme's investments.
Carbon footprint	83.8 tons CO_2e/£m	Carbon footprint is an intensity measure of emissions that takes the total GHG emissions and weights it to take account of the size of the investment made.
Data quality	78%	A measure of the proportion of the portfolio that the Trustee has high quality data for.

Source: Fund Manager (Legal &General Investment Management Limited), Hymans Robertson LLP

The Fund manager was able to provide the requested data for almost all of the funds used by the Scheme (99.8% per value), although the reported emissions metrics do not include entirely all the Scheme's GHG emissions. And so, the metrics show the Scheme's GHG emissions to be very marginally lower than they really are.

The Trustee's investment adviser, Hymans Robertson, requested data from Legal and General which is the Scheme's sole fund manager/provider.

Legal and General provided scopes 1 and 2 GHG emissions only.

Hymans Robertson LLP did not make any estimates for the missing data.

The table below shows a more detailed breakdown of the Scope 1 and 2 emissions from each fund in the Plan's portfolio (where available).

Pooled Fund	Fund Value £m	% of Assets	Absolute Metric Total Green House Gases (tons)	Intensity Metric Carbon Footprint (Emissions per £m)	Data Quality Total Coverage %
L&G Global Equity 50:50 Index	8.268	26%	870.8	105.3	90.7
L&G World (Ex-UK) Equity Index	7.024	22%	543.8	77.4	97.1
L&G Multi-Asset	5.834	18%	722.5	123.8	67.2
L&G Cash	4.156	13%	3.3	0.8	47.3
L&G UK Equity Index	3.843	12%	438.2	114.0	85.8
L&G Ethical Global Equity Index	1.216	4%	75.6	62.1	98.6
L&G Sustainable Property Fund	0.708	2%	6.3	8.9	15.7
L&G Over 5 Year Index Linked Gilts Index	0.436	1%	0.9	2.0	n/a
L&G AAA-AA-A Corp Bond All Stocks Index	0.376	1%	14.5	38.5	33.7
L&G Over 15 Year Gilts Index	0.275	1%	0.6	2.0	0.0
L&G World Emerging Markets Equity Index	0.109	0%	29.7	272.2	86.5
L&G HSBC Islamic Global Equity Index Fund	0.059	0%	n/a	0.0	0.0
L&G Pre-Retirement Inflation Linked Fund	0.018	0%	1.8	100.2	21.5
L&G Future World Multi-Asset Fund	0.000	0%	n/a	76.6	68.9
L&G Future World Global Equity Index	0.000	0%	n/a	38.1	96.5

Source: Legal &General Investment Management Limited, Hymans Robertson LLP

Additional Forward Looking Climate Metric

The Trustee has also used an additional portfolio alignment metric which is a forward looking metric and sets out the extent to which investments are aligned with the Paris agreement target of limiting the increase in the global average temperature to 1.5ºC above pre-industrial levels. The table below summarises the implied temperature change from the current portfolio.

Pooled Fund	Fund Value £m	Implied Temperature Alignment degrees C
L&G Global Equity 50:50 Index	8.268	3.8
L&G World (Ex-UK) Equity Index	7.024	3.5
L&G Multi-Asset	5.834	3.6
L&G Cash	4.156	-
L&G UK Equity Index	3.843	4.2
L&G Ethical Global Equity Index	1.216	3.7
L&G Sustainable Property Fund	0.708	4.8
L&G Over 5 Year Index Linked Gilts Index	0.436	-
L&G AAA-AA-A Corp Bond All Stocks Index	0.376	-
L&G Over 15 Year Gilts Index	0.275	-
L&G World Emerging Markets Equity Index	0.109	4.5
L&G HSBC Islamic Global Equity Index Fund	0.059	0.0
L&G Pre-Retirement Inflation Linked Fund	0.018	-
L&G Future World Multi-Asset Fund	0.000	3.4
L&G Future World Global Equity Index	0.000	3.3

Source: Legal &General Investment Management Limited, Hymans Robertson LLP

Looking to the future
Our climate-related target

Climate-related targets help the Trustee track its efforts to manage the Plan’s climate-change risk exposure.

The Trustee has set a target for improving the data quality metric. The Trustee needs to have meaningful data to measure the Plan's exposure to climate related risks. So, it is important to set a target to improve the quality of GHG emissions data from the underlying investment managers.

DB Section

The Trustee has set a target to improve the data quality of the DB assets over the next five years. Based on the Trustee's observations of the data quality for the DB assets (summarised in the previous section), the Trustee has agreed the following targets for each of the asset classes in which the Plan invests:

Improve data quality in 5 years’ time in line with the following individual targets:

	Current coverage	**Future coverage target by 31 March 2027**
Active Equity	95.8%	100%
Passive Equity	97.8%	100%
Multi asset credit	30.5%	75%
Fixed income	28.5%	75%
LDI	86.6%	100%
Private equity	28.5%	65%

The Trustee is also committed to obtaining initial data for the remaining asset classes in which the Plan invests for next year’s TCFD reporting.

DC Section

The Trustee aims to improve carbon emissions data coverage for listed equity and public fixed income to 100% by 2025.

2021 Data quality metric

78%

Total Coverage

2022 Data quality target

>78%

Total Coverage

The Plan’s performance against the target will be measured and reported on every year. Over time, this will show the Plan’s progress against the target.

The Trustee is engaging with the investment managers to increase greater coverage of assets within funds.

Glossary

Governance refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.[2] Governance involves a set of relationships between an organisation's management, its board, its shareholders, and other stakeholders. Governance provides the structure and processes through which the objectives of the organisation are set, progress against performance is monitored, and results are evaluated.[3]

Strategy refers to an organisation's desired future state. An organisation's strategy establishes a foundation against which it can monitor and measure its progress in reaching that desired state. Strategy formulation generally involves establishing the purpose and scope of the organisation's activities and the nature of its businesses, taking into account the risks and opportunities it faces and the environment in which it operates.[4]

Risk management refers to a set of processes that are carried out by an organisation's board and management to support the achievement of the organisation's objectives by addressing its risks and managing the combined potential impact of those risks.[5]

Climate-related risk refers to the potential negative impacts of climate change on an organisation. Physical risks emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (e.g., cyclones, droughts, floods, and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (e.g., sea level rise). Climate-related risks can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, technology changes, market responses, and reputational considerations.[6]

Climate-related opportunity refers to the potential positive impacts related to climate change on an organisation. Efforts to mitigate and adapt to climate change can produce opportunities for organisations, such as through resource efficiency and cost savings, the adoption and utilisation of low-emission energy sources, the development of new products and services, and building resilience along the supply chain. Climate-related opportunities will vary depending on the region, market, and industry in which an organisation operates.[7]

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[2] A. Cadbury, Report of the Committee on the Financial Aspects of Corporate Governance, London, 1992.
[3] OECD, G20/OECD Principles of Corporate Governance, OECD Publishing, Paris, 2015.
[4] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[5] Ibid
[6] Ibid
[7] Ibid

Greenhouse gas emissions ("GHG") scope levels[8]	Greenhouse gases are categorised into three types or 'scopes' by the Greenhouse Gas Protocol, the world's most used greenhouse gas accounting standard. Scope 1 refers to all direct GHG emissions. Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam. Scope 3 refers to other indirect emissions not covered in Scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. Scope 3 emissions could include: the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g., transmission and distribution losses), outsourced activities, and waste disposal.[9]
Value chain	refers to the upstream and downstream life cycle of a product, process, or service, including material sourcing, production, consumption, and disposal/recycling. Upstream activities include operations that relate to the initial stages of producing a good or service (e.g., material sourcing, material processing, supplier activities). Downstream activities include operations that relate to processing the materials into a finished product and delivering it to the end user (e.g., transportation, distribution, and consumption).[10]
Climate scenario analysis	is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organisation to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies, and financial performance over time.[11]
Net zero	means achieving a balance between the greenhouse gases emitted into the atmosphere, and those removed from it. This balance – or net zero – will happen when the amount of greenhouse gases add to the atmosphere is no more than the amount removed.[12]

[8] World Resources Institute and World Business Council for Sustainable Development, The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004.
[9] PCC, Climate Change 2014 Mitigation of Climate Change, Cambridge University Press, 2014.
[10] TCFD, Recommendations of the Task Force on Climate-related Financial Disclosures, 2017
[11] Ibid
[12] Energy Saving Trust, What is net zero and how can we get there? - Energy Saving Trust, October 2021

Appendix – climate scenario modelling assumptions

The purpose of the climate scenario modelling is to consider the impact of climate-related risks on the Plan's assets and liabilities over the long-term.

The scenario modelling assumes a deterministic projection of assets and liabilities on the gilts + 0% basis, using standard actuarial techniques to discount and project the Plan's expected future cashflows.

i. It models the full yield curve as this allows for a more accurate treatment of the liabilities and more realistic modelling of the future distribution of interest rates and inflation.
ii. The modelling parameters vary deterministically for each scenario.

The liability projections are approximate, but they are appropriate for this analysis. However, a full actuarial valuation carried out at the same date may produce a materially different result.

The scenario modelling focusses on the impact of climate change on the Plan's assets and liabilities. It does not consider the impact climate change could have on the covenant risk or mortality risk.

The scenario modelling reflects recent market conditions and current market views. The model may produce different results for the same strategy under different market conditions.

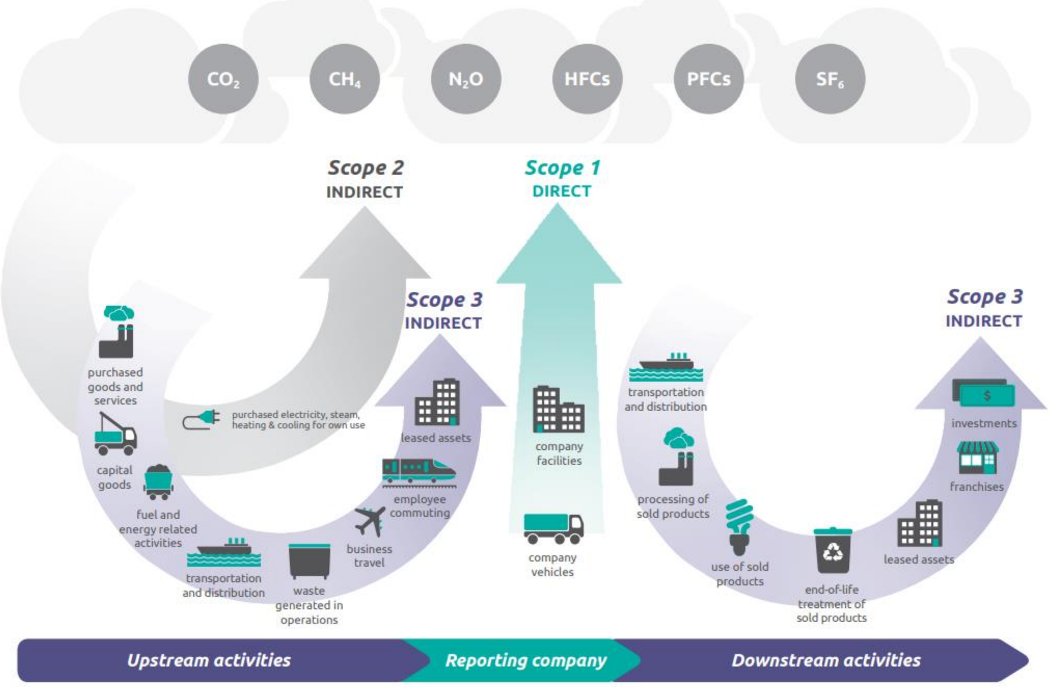
This report, and the work relating to it, complies with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' ('TAS 100'). The model complies with TAS 100.

Key Assumptions

	Temperature risk by 2100	**Reach net zero by**	**Carbon price (2030/2050)**	**Introduction of environmental regulation**
Late transition	<3C	After 2050	\$65/\$340	Late and aggressive
Abrupt transition	1.5C – 2C	2050	\$135/\$280	Aggressive
Orderly transition	1.3C – 2C	2050	£100/\$215	Coordinated
Smooth transition	<1.5C	2045	\$80/\$165	High coordination

Appendix – Greenhouse gas emissions in more detail

Overview of GHG Protocol scopes and emissions across the value chain



Source: Greenhouse Gas Protocol, [Corporate value chain (scope 3) Accounting and Reporting Standard](), 2011