



TCFD

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

Climate disclosures for year ending 31 March 2023

Produced by: GE Pension Trustees Limited

Date: September 2023

Introduction

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 TCFD is an initiative that developed some best practice guidance for climate-risk reporting. 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 annual TCFD report for GE Pension Plan (the "Plan"). It has been prepared by the Trustee (the "Trustee") for the year ended 31 March 2023. This is the Plan's second report to date, with the Plan's first report published for the period 1 October 2021 to 31 March 2022.

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

What is TCFD?

The Financial Stability Board created the Taskforce on Climate-related Financial Disclosure ("TCFD") to develop recommendations on the types of information that entities should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing risks related to climate change.

The TCFD has developed a framework to help public companies and other organisations, including pension schemes, more effectively disclose climate-related risks and opportunities through their existing reporting processes.



Table of contents

Introduction.....	2
Executive summary.....	4
Governance.....	6
Strategy.....	11
Risk management.....	26
Metrics & Targets.....	31
Appendices.....	45
<i>Glossary</i>	46
<i>Appendix – An explanation of the risk categories</i>	48
<i>Appendix – Greenhouse gas emissions in more detail</i>	50

Executive summary

To produce this TCFD-aligned report, we have worked with our investment advisers to carefully consider the potential impact climate change could have on the Plan's investments and how we identify, manage, and mitigate those risks.

The Trustee believes that the risks associated with climate change could have a significant, negative impact on the Plan's investment returns. Therefore, the Trustee considers climate change risk when making investment decisions. Where possible, the Trustee will also seek to capture climate related investment opportunities.

Overview of the Plan

The Plan is comprised of a Defined Benefit (DB) Section and a Defined Contribution (DC) Section.

- The DB Section is invested in a range of asset classes which is managed by the Plan's fiduciary provider, State Street Global Advisers ("SSGA").
- The DC Section invests in a range of asset classes which is managed by the Plan's DC provider, Legal & General. During the reporting year the DC assets were transferred to a master trust.

The Trustee has been supported by its investment adviser, Aon Investments Limited ("Aon") (DB Structure investment adviser), Hymans Robertson (DC Structure investment adviser), SSGA (DB Structure fiduciary provider) and Penfida (Covenant adviser) with the production of its TCFD disclosures report and also the data contained within it.

Strategy

The Trustee has carried out a qualitative risk assessment on each asset class the Plan is invested in. From this, Trustee has identified which climate-related risks and opportunities could have a material impact on the Plan, and over which timescales these risks and opportunities may arise. Given the number of strategies making up the Plan's investment portfolio, the Trustee has completed a best endeavours exercise to analyse the climate-related risks of each asset class.

The Trustee has also undertaken quantitative climate change scenario analysis to better understand the impact climate change could have on the Plan's investment and funding strategy over the time horizons identified as being most relevant to the Plan.

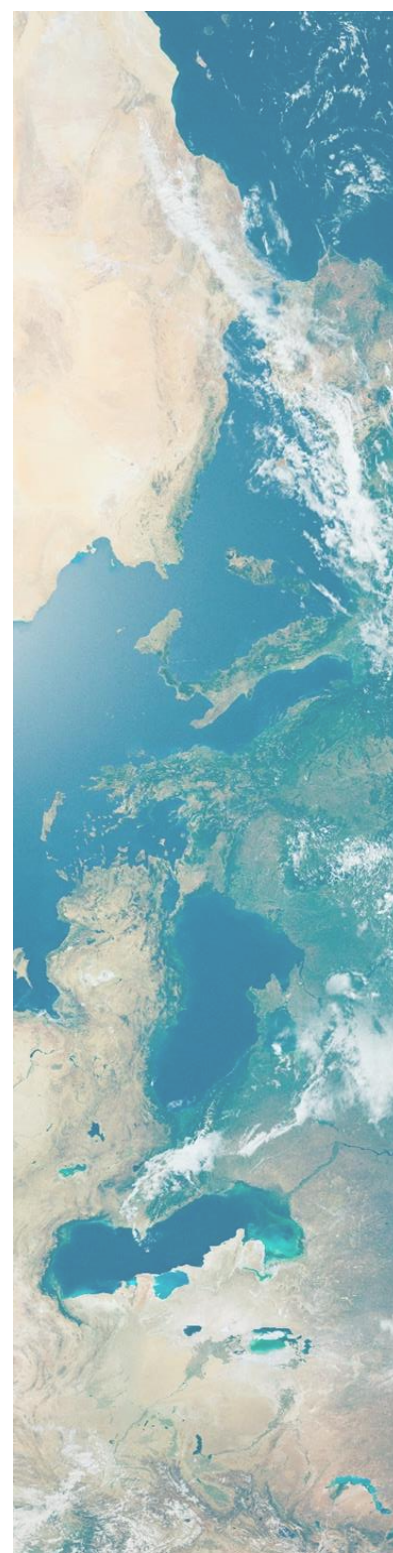
The Plan's investment portfolio exhibits reasonable resilience under most of the climate scenarios. This is due to the diversification of assets and high levels of hedging against changes in interest rates and inflation.

Risk management

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 will monitor the most

Useful Information

A glossary of key terms we have referred to in this report is included on page 46 in the Appendix.



significant risks to the Plan, in its efforts to achieve appropriate outcomes for members. More detail on this is provided on pages 26-29.

Metrics and Targets

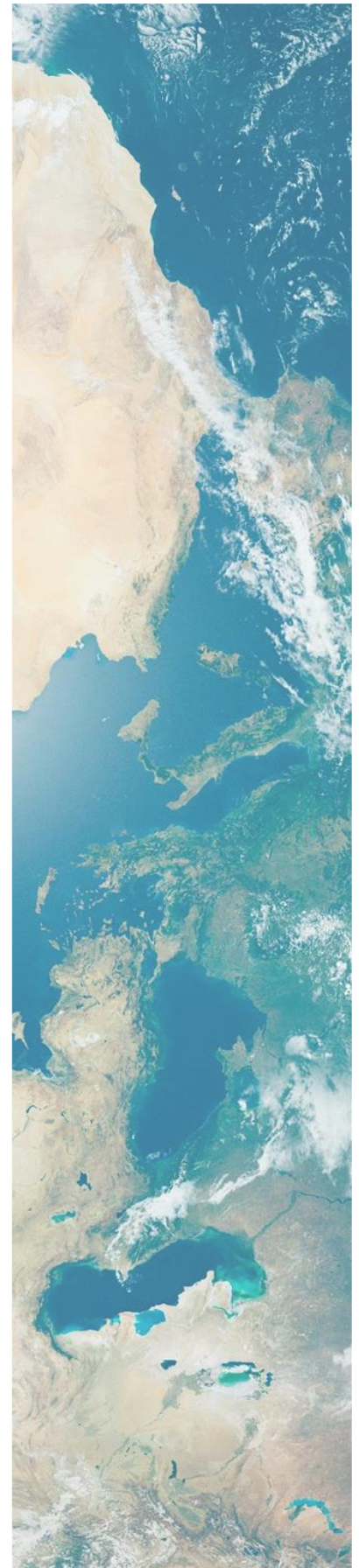
The Trustee gathered the carbon metrics data from a range of different sources, including the Plan's fiduciary manager, SSGA, MSCI and its investment advisers, Aon and Hymans Robertson. As required, the Trustee has, as far as it is able, collated the data for the total greenhouse gas emissions, carbon footprint, data coverage, implied temperature rise and the proportion of the portfolio that is aligned with the Paris Agreement, which are new additions to the TCFD report following a change in the Regulations over 2022. More detail is provided on page 35.

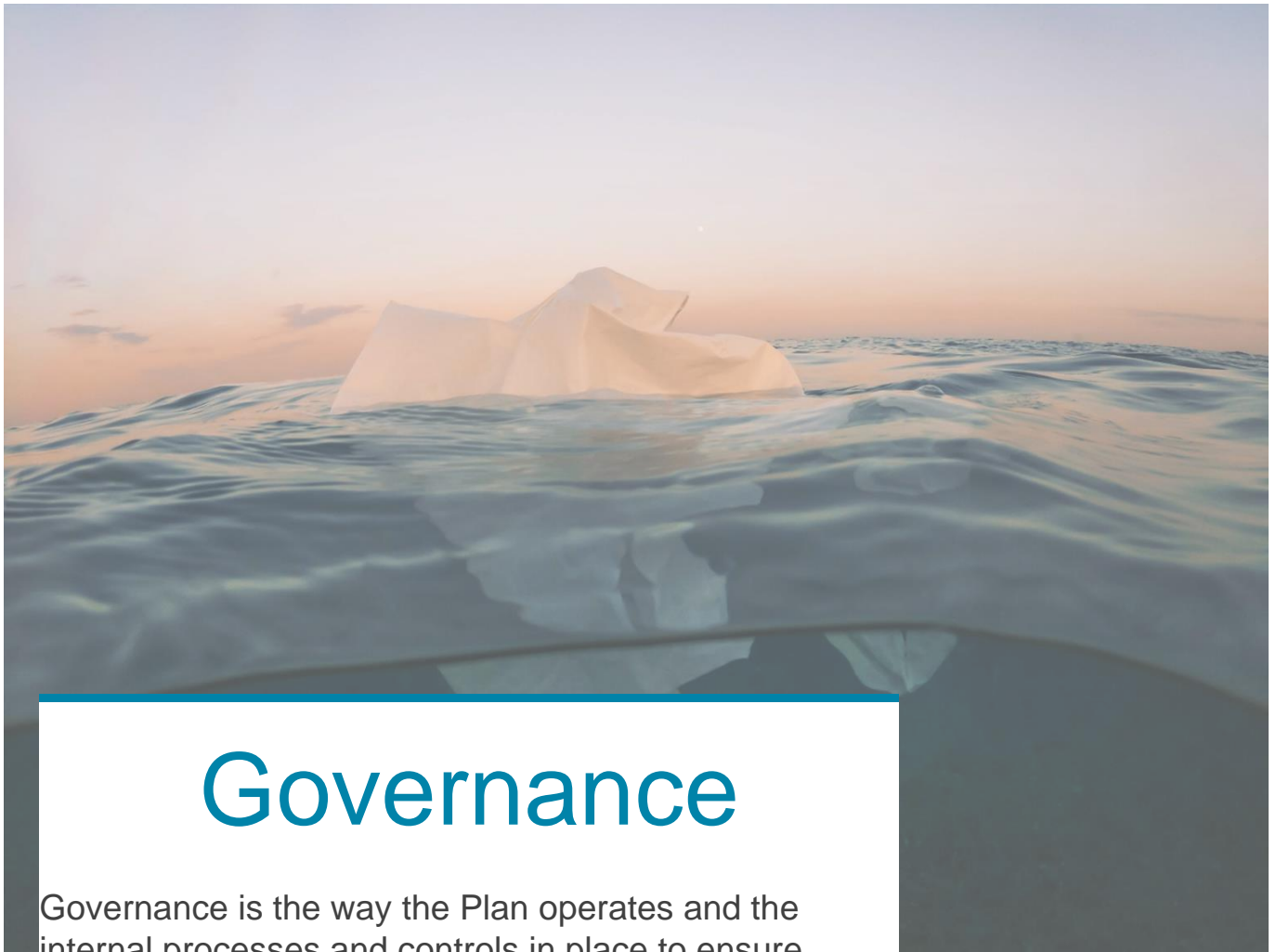
The Trustee is keen to understand the carbon emissions in the Plan's portfolio, and notes that the data has improved in comparison to the previous year reporting. As per the Trustee's expectation, the overall data availability for greenhouse gas emissions has improved, which led to higher overall emissions being reported as the availability and coverage of data expands. However, most managers were unable to provide scope 3 emission data. The Trustee will continue to engage with the Plan's underlying managers to ensure better reporting around scope 3 emissions for future reporting years. More detail on how the emissions are defined is provided on page 32.

We hope you enjoy reading this report and understanding more about how we are managing climate-related risks and opportunities within the Plan.

Chair

on behalf of the Trustee of GE Pension Plan





Governance

Governance is the way the Plan operates and the internal processes and controls in place to ensure appropriate oversight. Those undertaking governance activities are responsible for managing climate-related risks and opportunities. This includes us, as the Trustee, and others making Plan-wide decisions, such as those relating to the Plan's funding and investment strategy.



Trustee's Plan governance

As the Trustee of the Plan, we are responsible for overseeing all strategic matters related to the Plan. This includes the governance and management frameworks relating to environmental, social and governance (“ESG”) considerations and climate-related risks and opportunities.

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.

Trustee's update

Over the year, the Trustee completed training on the additional metric requirements under TCFD, which are used to assess climate-related risks.

Training was received in relation to the regulatory changes occurring in 2022, and how this would impact the Plan. The training covered the introduction of new metrics, including the portfolio alignment metrics and changes to the additional climate metrics.

The purpose of this session was to better equip the Trustee ahead of the preparation of its second TCFD report.



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 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, ongoing monitoring and implementation of the Plan's framework relating to ESG to the Funding and Investment Committee ("the F&IC").

Role of the Funding and Investment Committee

The F&IC monitors and reviews progress against the Plan's climate change risk management approach on a quarterly basis. 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 within 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 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 Plan participates in the GE UK Common Investment Fund ("the CIF") and gains investment exposure through the purchase of units in the CIF, alongside the Plan's other liability matching instruments. The Plan Trustees take into account the asset allocation strategy within the CIF units when deciding whether to invest in each unit. However, the CIF Trustees and their advisers are responsible for setting the strategy within in each CIF unit.

Trustee's update

The Trustee sets clear expectations to its investment advisers around the need to bring important and relevant climate-related issues and developments to the Trustee's attention in a timely manner.

Following the training the Trustee received on the new regulatory requirements, the Trustee reviewed information provided by SSGA in respect of the portfolio's alignment metrics.

Following this review the Trustee agreed to report on the Implied Temperature Rise of the investment portfolio, as well as the proportion of that portfolio that is aligned with the Paris Agreement, in addition to the climate related metrics already included in last year's report.

Further details are included in the metrics and targets section.

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.

The CIF (together with SSGA) are responsible for the fiduciary management of the Plan's assets. As part of their delegated responsibilities the Trustee expects the CIF, SSGA and the underlying fund managers to:

- Ensure that (where appropriate) underlying asset managers exercise the trustees' voting rights in relation to the Plan's assets;
- Take into account social, environmental and corporate governance considerations in the selection, retention and realisation of investments; and
- Report to the Trustee on stewardship activities undertaken by underlying asset managers as required.

The Trustees of the CIF are responsible for reviewing whether the managers are meeting the Trustee's expectations and providing an annual update to the Trustee for all delegated responsibilities in this regard.

Role of the DC Provider

The Trustee has agreed that the Plan's DC provider, Legal & General, is responsible for day-to-day management of the DC assets and helps 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

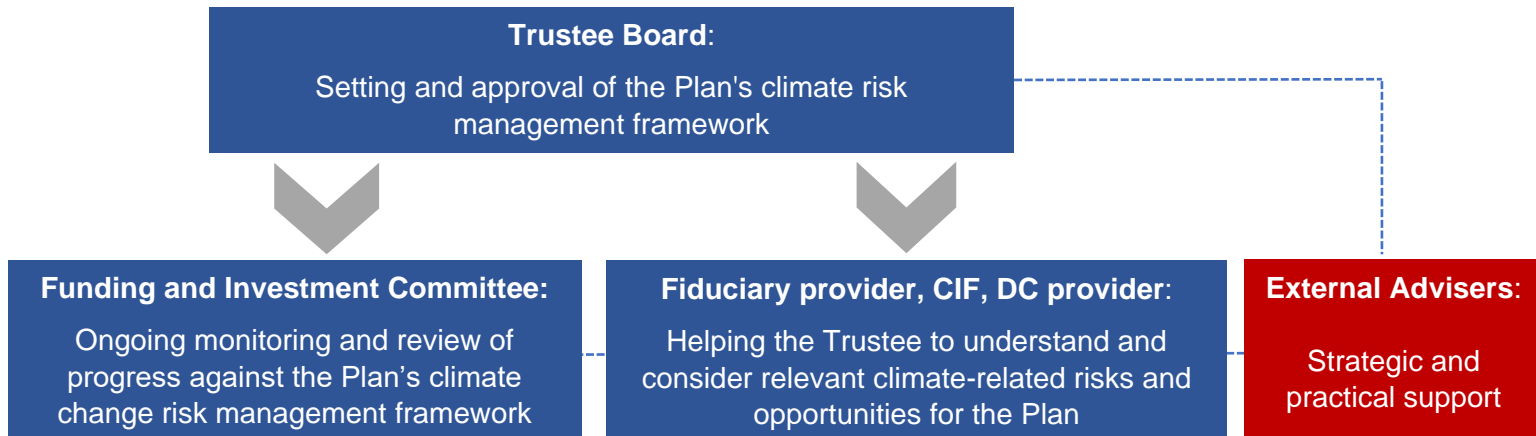
The Trustee has agreed the following roles for its relevant external advisers:

Investment advisers: the Trustee's investment advisers, Aon and Hymans Robertson, provide strategic and practical support to the 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. The Trustee's investment advisers are also expected to provide regular training and updates on climate-related issues and climate change scenario modelling to enable the F&IC and Trustee to assess the Plan's exposure to climate-related risks.

Plan Actuary: the Plan 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

It is crucial to think strategically about the climate-related risks and opportunities that will impact the Plan if we are to stand a chance of mitigating the effects of climate change.

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.



What climate-related risks are most likely to impact the Plan?

Each year the Trustee carries out a qualitative risk assessment of the asset classes the Plan is invested in. From this the Trustee identifies which climate-related risks could have a material impact on the Plan. The Trustee also considers what climate-related opportunities are associated with the Plan's investments.

Trustee's investments

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 DC Plan offers a range of lifestyle strategies, one of which is the default option and also offers a range of self-select funds. The Plan's DC assets were transferred to a master trust during the Plan year.

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.

How the risk assessment works



Risk categories

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

Transition risks are associated with the transition towards a low-carbon economy.

Physical risks are associated with the physical impacts of climate change on companies' operations.



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.

More details in relation to transition and physical risks can be found in the Appendix.

Climate-related risk assessment

In 2022 we carried out a qualitative risk assessment of the asset classes the Plan is invested in. From this, we identified which climate-related risks could have a material impact on the Plan. We also considered what climate-related opportunities were relevant to our investments.

The F&IC, via SSGA, asked our 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. 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	Listed Equity	Private Equity	Fixed interest bonds	Multi-asset credit	Illiquid Credit	Property Debt	Infrastructure risks	Liabilities	Covenant
% allocation of total DB Plan assets as at 31 March 2023	5.5	16.0	3.0	1.0	4.75	4.75	2.0	N/A	N/A
Physical risks	Short term	Low	Low	Low	Low	Low	Low	Low	Low/Medium
	Medium term	Medium	Low	Low to Medium	Medium	Medium	Medium	Low/Medium	Low/Medium
	Long term	High	Medium	High	Medium	Medium	High	Medium	Low/Medium
Transition risks	Short term	Low to Medium	Low	Low to Medium	Low to High	Low	Low	Low to Medium	Low
	Medium term	Medium to High	Low to Medium	Medium to High	Medium to High	Medium	Medium	Medium	Low/Medium
	Long term	High	Medium	High	Medium	Medium to High	Medium	Low to Medium	Medium
Impact	Medium	Low	Medium	Low	Medium	Low	Low	Low/Medium	Low/Medium

Source: SSGA, managers.

Trustee update

This year, SSGA have refreshed their assessment of the climate-related risks and opportunities relevant to the Plan's asset classes, which is summarised in the table above. The table also reflects an increase in the target allocations to illiquid credit and infrastructure and a reduction in the target allocation to hedge funds, compared to the equivalent analysis last year.

Key conclusions

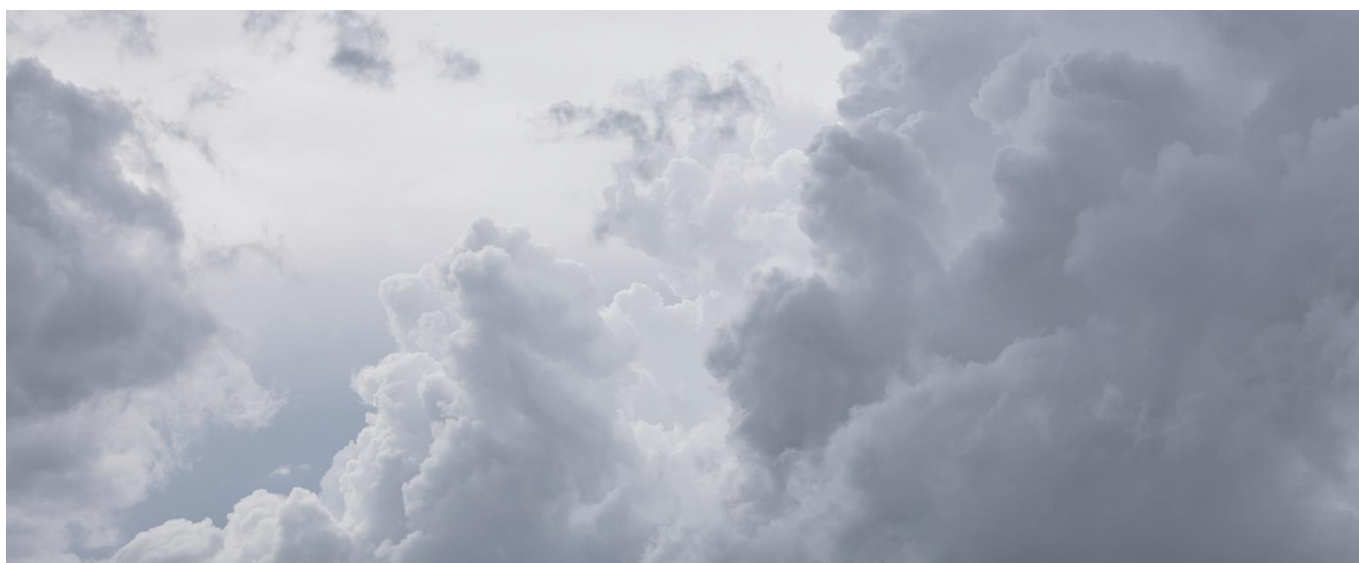
In line with our conclusions last year, diversification across asset classes, sectors and regions is important to manage climate-related physical and transition risks for the Plan.

Listed Equities, which are a significant part of the DB Section's assets, are deemed a high-risk area in terms of exposure to climate-related risks and transitional risks, indicated by the amber and red ratings over the medium and long-term time horizons. Overall, across asset classes, transitional risks are more prevalent in the short-term whereas physical risks are more likely to be material over the longer-term time horizons. The Trustee has taken proactive steps over the year to mitigate these risks, including:

- close monitoring of stewardship activities carried out by its investment managers (to ensure they are appropriately engaging with investee companies on the management of climate risks);
- utilising actively managed strategies where appropriate (allowing greater scope to select investments whilst accounting for climate-related risks and opportunities); and
- integrating climate considerations into all fund reviews and selections, including the appointment of managers with specific sustainability and climate objectives.

Fixed Interest Bonds, Multi-Asset Credit and Illiquid Credit also remain a high-risk area, particularly in relation to transitional climate risks. The static nature of property related investments presents a risk to the Plan, particularly if they are in geographical regions that are vulnerable to climate change and changes in weather patterns. The Trustee recognises the long-term risks posed by climate change and will continue to take the necessary steps to mitigate these risks.

A more detailed risk assessment by asset class is provided in the next few pages of this report.



Climate-related risk assessment – in detail

Given the number of asset classes in which the Plan invests, the Trustee has completed a best endeavours exercise to analyse the climate-related risks of each asset class. The Plan invests across a range of different asset classes and investment managers via pooled funds. As such, the Trustee's ability to influence how each manager incorporates climate related issues is limited. However, the Trustee's fiduciary provider, SSGA, assessed financially material climate-related risks and opportunities for the Plan, associated with the underlying investment managers' mandates.

Listed Equity – 5.5% of portfolio

	Physical risks		Transition risks			
	Acute	Chronic	Regulatory	Technology	Market	Reputation
Short	G	G	G	G	G	A
Medium	A	A	R	A	A	A
Long	R	R	R	R	R	R

Physical risks

SSGA does not see any material physical risks in the short-term. Over the long-term, SSGA believes this is likely to become more significant. It identifies physical location and geographical exposures as important drivers of physical risk. The severity of these physical risks are likely to become more significant as time passes.

Transition risks

SSGA does not see any transitional risks in the short-term relating to Regulation, Technology, and the Market. However, it does see reputational damage as a medium risk in the short-term due to the increasing pressure from investors and regulatory requirements for public companies. Over the longer-term this is seen as a high risk as public companies are more likely to attract negative headlines in the financial and popular press.

Private Equity – 16.0% of portfolio

	Physical risks		Transition risks			
	Acute	Chronic	Regulatory	Technology	Market	Reputation
Short	G	G	G	G	G	G
Medium	G	G	A	G	G	A
Long	A	A	A	A	A	A

Physical risks

SSGA has identified no material physical climate associated risks in the short to medium-term. Private companies may potentially have lower climate risks relative to their public counterparts in the same sector. These sectors include energy and utilities which are more asset-light, hence less likely to be left with stranded assets. SSGA recognises that these risks are more significant as they approach the long-term.

Transition risks

SSGA considers there to be no material transitional risks in the short-term. These risks are also considered to be minimal as time passes. SSGA believes private companies are faced with fewer regulatory disclosure requirements and hence lower policy and legal risks to climate change. However, it does identify regulatory and reputational risks as material as we approach the longer-term.

Fixed Interest Bond – 3.0% of portfolio

	Physical risks	
	Acute	Chronic
Short	G	G
Medium	G	A
Long	R	R

Physical risks

SSGA believes there to be no short-term physical risks and believes as the Plan approaches the medium to long-term these risks will become more apparent. However, due to Fixed Interest Bonds long duration and high exposure to sectors with physical assets such as having a 24% exposure to utilities, as the Plan approaches the long-term where the impact of extreme weather events become more frequent and severe the impact of these physical risks is likely to become more significant.

Multi-Asset Credit – 1.0% of portfolio

	Physical risks	
	Acute	Chronic
Short	G	G
Medium	A	A
Long	A	A

Physical risks

SSGA has identified no material physical climate associated risks in the short-term. When approaching the longer-term, SSGA considers these risks to become more significant. Multi-Asset Credit features in climate-sensitive sectors such as energy (7.1%), materials (1.9%) and industrials (6.9%). SSGA believes that as extreme weather events become more frequent and severe the impact of these physical risks is likely to become more significant and cause business interruptions.

Illiquid Credit – 4.75% of portfolio

	Physical risks	
	Acute	Chronic
Short	G	G
Medium	A	A
Long	A	A

	Transition risks			
	Regulatory	Technology	Market	Reputation
Short	A	G	A	A
Medium	R	A	A	A
Long	R	R	R	R

Transition risks

SSGA considers the transitional risks to be medium in the short-term. It realises these risks will become more significant as the Plan approaches the medium to long-term, arising from sector concentration in utilities and reputational damage to the increasing pressure from investors and regulators in the long-term.

	Transition risks			
	Regulatory	Technology	Market	Reputation
Short	G	G	R	R
Medium	R	A	A	A
Long	A	A	A	A

Transition risks

SSGA does not see any transitional risks in the short-term relating to Regulation and Technology. SSGA identifies short-term market and reputational risk to be high due to a high exposure to below-investment grade bonds which are price sensitive and usually less liquid. As time passes, these transitional risks are considered to be a medium risk which reflects the Plan's multi-asset credit investment strategy to tactically rotate among bonds and subsectors of the credit universe.

Physical risks

SSGA does not identify any material physical climate associated risks in the short-term. This can be attributed to the relatively low exposure to climate-sensitive sectors and longer durations. Illiquid investments, in general tend to have a longer lock-up period. Taking the above factors into account, illiquid credit will be exposed to medium level physical climate associated risks in the medium to longer term.

Property Debt – 4.75% of portfolio

	Physical risks	
	Acute	Chronic
Short	G	G
Medium	A	A
Long	A	A

Physical risks

SSGA considers there to be limited exposure to climate-related physical risks in the short-term. This is mainly due to the asset class primarily providing financing for physical assets. Over the medium to long-term, SSGA believes that property debt can get impacted at different levels as extreme weather events become more frequent and severe.

Infrastructure – 2.0% of portfolio

	Physical risks	
	Acute	Chronic
Short	G	G
Medium	A	A
Long	R	R

Transition risks

SSGA does not see any transitional risks in the short-term for illiquid credit portfolios. As illiquid credit has lower exposure to climate-sensitive sectors the transitional risks are presented as medium in the medium-term. As the Plan approaches the longer-term these risks become more severe due to the long holding period of these illiquid assets.

	Transition risks			
	Regulatory	Technology	Market	Reputation
Short	G	G	G	G
Medium	A	A	A	A
Long	R	A	R	R

Transition risks

SSGA does not see any transitional risks in the short-term. However, as time passes it does see regulatory and market risk becoming more widespread as well as reputational damage becoming more severe. This is due to the increasing pressure from investors and regulators if climate policy is not addressed sufficiently.

	Transition risks			
	Regulatory	Technology	Market	Reputation
Short	A	A	G	G
Medium	A	A	A	A
Long	G	G	A	A

Physical risk

SSGA believes infrastructure asset's exposure to physical risks are dependent on a variety of factors such as asset type, location, and lifespan of assets. No physical climate associated risks have been identified in the short-term. As the Plan approaches the medium to long-term, the SSGA believes these risks will become more severe with weather events becoming more frequent and severe, such as rising sea levels. The impact of these physical risks is likely to reduce profitability and revenue and possibly lead to stranded assets, therefore potentially having large financial impacts at the global infrastructure portfolio level. SSGA also highlights the interdependent nature across infrastructure assets, which may potentially magnify the effects of any single natural disaster.

Transition risks

SSGA considers infrastructure assets to be more exposed to transition risks compared to other asset classes, assuming a 2-degree transition pathway. In the short-term no transitional risks have been identified in relation to Market and Reputation. Transitional risks are considered to be medium in the short-term relating to Regulation and Technology. As more stringent climate change policy and investment in technology come into effect, this is likely to reduce the value of some assets that are less advanced or unable to adapt. However, as the Plan approaches the long-term horizon, the increased pressure from regulators and policy are expected to be net positive for infrastructure with policy changes driving significant economic transformation globally and therefore potentially having positive financial impacts at the global infrastructure portfolio level.

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 context of the climate related scenarios considered in the Trustee's analysis of the Plan's assets and liabilities (which is described in more detail later in this report).

In line with guidance from the Department of Work and Pensions ("DWP"), the Trustee has not undertaken detailed scenario analysis since it was undertaken to support the Trustee's conclusions last year.

However, the Trustee has considered the potential impact of GE's decision on 4 January 2023 to split its business into three independent companies, as part of GE's portfolio restructuring plan ('HealthCare spin-off'). This is expected to be completed early 2024, from which point GE will operate as three independent public companies; healthcare, energy and an aviation-focused company.

The Trustee believes as a result GE has become more exposed to environmental risks. GE is now a relatively more carbon intensive business with greater exposure to transition risks including policy and regulatory risks in Aerospace (e.g., increased regulation on domestic flying) and Power (e.g. bans on fossils fuels) and technology risks in Aerospace (e.g. race to develop a net zero aero engine), Renewables (e.g. more efficient renewable energy sources) and Power (e.g. technology advances leading to an accelerated decline in Gas).

A summary of the Trustee's findings based on last year's analysis has been updated to exclude the HealthCare business below.

	Scenario	Short term impact (1-3 years)	Medium term impact (4-10 years)	Long term impact (10-20 years)	Overall
Aviation	Smooth transition	Low to Medium	Medium	Medium	Medium
	Orderly transition	Low to Medium	Medium	Medium	Medium
	Abrupt transition	Low	Medium	Medium	Low to Medium
	Late transition	Low	Medium	Medium	Low to Medium
	Overall	Low to Medium	Medium	Medium	Low to Medium
Power	Smooth transition	Low to Medium	Medium	Medium	Medium
	Orderly transition	Low to Medium	Medium	Medium	Medium
	Abrupt transition	Low	Medium	Medium	Low to Medium
	Late transition	Low	Medium	Medium	Low to Medium
	Overall	Low to Medium	Medium	Medium	Low to Medium
Renewables	Smooth transition	Low	Low	Low	Low
	Orderly transition	Low	Low	Low	Low
	Abrupt transition	Low	Low	Low	Low
	Late transition	Low	Low	Low	Low
	Overall	Low	Low	Low	Low
	Overall	Low to Medium	Low to Medium	Low to Medium	Low to Medium

Source: Penfida

Overall, the Trustee still 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:



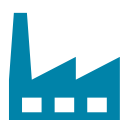
Cleaner energy

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 SSGA to take into account of climate related opportunities (as well as risks) applicable for its mandates. Based on the qualitative assessment undertaken last year, which the Trustee has reviewed again this year, the Trustee has concluded that the following opportunities presented below remain appropriate to the Plan's investments.

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 vs Multi-Asset Credit vs Illiquid Credit



Opportunities are somewhat limited. In the future, 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 multi-asset credit and illiquid credit (when compared to fixed interest bonds) due to a broader investment universe and a mandate to be opportunistic. Owing to illiquid credit's longer maturities and lower trading volumes, it is ideal for directly financing green infrastructure and impact projects. While the potential for climate related opportunities is also there for multi-asset credit, the approach is typically more indirect such as investing in green bonds.

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.

Infrastructure Risks

In the short-run, investing in and developing renewable energy infrastructure and upgrading existing infrastructure to improve energy efficiency can result in enhanced valuation which presents an opportunity for infrastructure investors. Infrastructure can capitalise on migration to renewables and energy efficiency trend via increased valuations of assets incorporating the same. Over the medium to long-term, there are opportunities related to:

- Incorporating climate resilience within the portfolio and developing climate-resilient infrastructure becomes vital as impacts of climate change become more pronounced in future. Investments in climate resilient infrastructure can provide long-term opportunities.
- Green or Sustainable infrastructure Development (e.g. electric vehicle charging infrastructure and carbon capture storage technologies) to capitalise on the evolving market expectations of a sustainable space.

How resilient is the Plan to climate change?

It is important for the Trustee to understand the impact climate change could have on the Plan's assets and liabilities. The Trustee undertakes climate change scenario analysis to better understand the Plan's climate risks accordingly.

Introduction

Under climate reporting regulations regarding TCFD, scenario analysis must be carried out at least every 3 years, or sooner if there have been significant changes which could impact the Plan. The Trustee has reviewed the scenario analysis undertaken last year and concluded that it is not necessary to refresh the scenario analysis this year.

The Trustee notes from the regulations that there may be circumstances which require the climate scenario analysis to be re-done. This may be because of, but not limited to:

- a significant/material change to the investment and/or funding strategy; or
- the availability of new or improved scenarios or modelling capabilities or events that might reasonably be thought to impact key assumptions underlying scenarios.

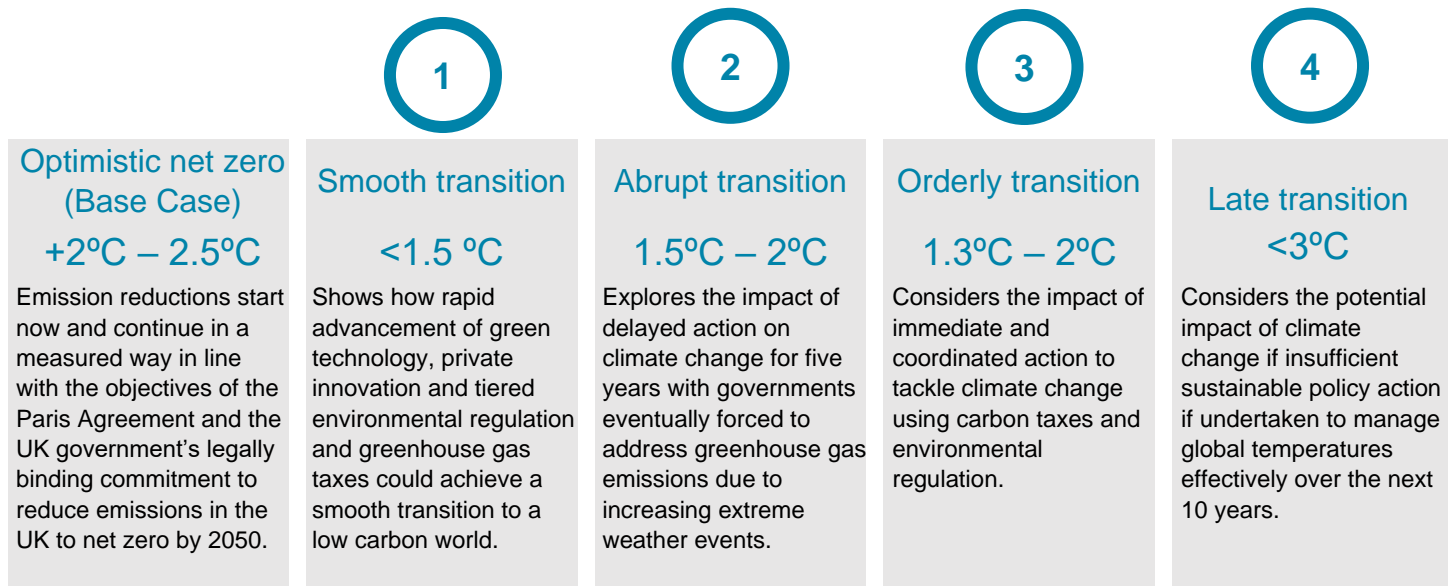
Based on the criteria set out in the regulations, the Trustee is comfortable that the analysis undertaken for its TCFD report on the DB Structure in the first year remains appropriate for this year's report. In particular, there have been no significant changes to the investment strategy, the liability profile/membership of the Plan, modelling technique, policy implementation to tackle climate change or asset data availability, since the analysis was undertaken previously.

The analysis included in last year's report is therefore restated in this year's report accordingly.

The Trustee's climate scenarios analysis

The analysis considers a range of climate change scenarios. Each scenario considers what may happen to the Plan when transitioning to a low carbon economy under different temperature-related environmental conditions. These scenarios were developed by Aon and are based on detailed assumptions. They are only illustrative and are subject to considerable uncertainty.

We chose the following scenarios because we believe they provide a reasonable range of possible climate change outcomes.



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.

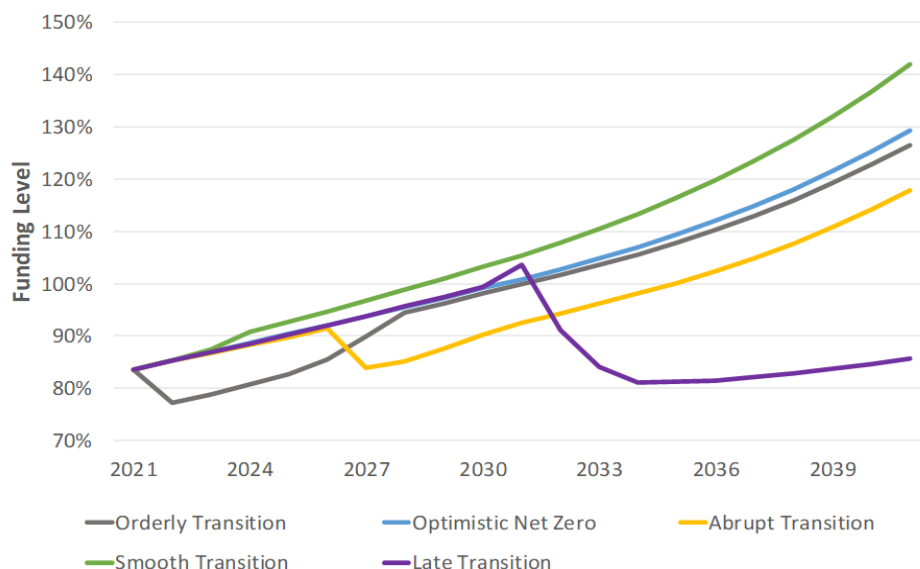
What does the chart show?

The chart shows what might happen to the Plan’s funding level under each climate scenario up to 30 years into the future. Each line represents a different scenario. The actual funding experience is likely to be different in reality.

The funding level is a measure of how much surplus assets (or deficit) the Plan has above the cost of the pension liabilities.

Depending on the scenario, the funding level increases more or less. Under some scenarios the funding level experiences sudden falls.

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)

Similar to the DB structure, the Trustee has reviewed the climate scenario analysis it undertook on the DC structure last year and believes it remains appropriate for this year's TCFD reporting year. Again, the analysis is therefore restated in this section of the report.

The Trustee also carried out climate scenario analysis on each 'popular' arrangement¹ 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

¹In the DWP's statutory guidance, a popular arrangement is one in which £100m or more of the scheme's assets are invested, or which accounts for 10% or more of the assets used to provide money purchase benefits (excluding assets which are solely attributable to Additional Voluntary Contributions). However, in this analysis, 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

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 focussed 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.



Risk management

We must have processes to identify, assess and manage the climate-related risks that are relevant to the Plan and these must be integrated into the overall risk management of the Plan.

Reporting on our risk management processes provides context for how we think about and address the most significant risks to our efforts to achieve appropriate outcomes for members.



Trustee's 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.



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 SSGA and reviewed by the Trustee.



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.

Trustee update

This process of identifying and assessing climate related risks has been reviewed in the process of producing this TCFD report and we believe it is still suitable.

Together these elements give the Trustee a clear picture of the climate-related risks that the Plan is exposed to. 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 developed the following risk management plan, to help with its ongoing management of climate-related risk and opportunities. The risk management framework gives clear understanding on who is involved, what is done and how often. The Trustee has delegated a number of key tasks to the F&IC but retains the final approval responsibility. The processes for managing climate-related risks and opportunities are summarised in the tables below.

Governance

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Climate change governance framework (<i>this document</i>)	F&IC	Aon / SSGA / Hymans Robertson	Annual
Publish TCFD report and implementation statement	F&IC	Aon / SSGA / Hymans Robertson	Annual
Add / review climate risks and activity on key Plan documentation (risk register, work plan)	F&IC	Aon / SSGA / Hymans Robertson	Ongoing
ESG beliefs (including climate change)	F&IC	Aon / SSGA / Hymans Robertson	Triennial
Trustee training	F&IC	Aon / SSGA / Hymans Robertson	Ongoing
Review SIP	Trustee	Aon / SSGA	Annual

Trustee update

The Trustee monitors the above activities as part of its climate related risks and opportunities management. The Trustee has delegated responsibility of all activities in this pillar to the F&IC.

The Trustee has monitored progress of the F&IC and its respective implementation of the climate change governance framework through the year, receiving regular updates from the F&IC and querying information as and when required.

Strategy

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Identify climate-related risks and opportunities (over agreed time periods) for investment & funding strategy	F&IC	SSGA	Annual
Scenario analysis – annual review	F&IC	Aon / Hymans Robertson / Penfida	Annual
Scenario analysis – refresh modelling	F&IC	Aon / Hymans Robertson	Triennial
Actuarial valuation	F&IC	WTW	Triennial

Trustee update

The FI&C has spent dedicated time through the year to analyse climate related risks and opportunities for the Plan's various asset classes in which it invests.

Alongside this, the Trustee has also reviewed the appropriateness of climate related risks, opportunities and climate scenario analysis carried out last year, and is comfortable that the analysis remains the same for the current reporting period. This review was undertaken for both the DB and DC Structures.

Risk management

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Identify, assess and manage key climate related risks	F&IC	Aon / SSGA	Triennial

Trustee update

The Trustee reviews its process of identifying and assessing climate related risks as part of the annual TCFD process in order to evaluate their continued suitability. This is integrated into the ongoing activities of the Plan.

The Trustee delegates to its fiduciary manager, SSGA, the review of the underlying managers' responsible investment policies; details of how ESG is integrated within their decision-making process, including climate change; and details of outstanding ESG issues within portfolios. This is driven by the Plan completing its Implementation Statement, where the Trustee collects data from its managers in relation to their voting and engagement policies. It also asks for details on how these have been implemented in practice, including key themes for engagement, including climate change.

Metrics and Targets

Activity	Delegated responsibility	Adviser / supplier support	Frequency of review
Agree/review approach for metrics	F&IC	Aon / SSGA / Hymans Robertson	Annual
Agree/review target	F&IC	Aon / SSGA / Hymans Robertson	Annual
Obtain data for agreed metrics	F&IC	Aon / SSGA / Hymans Robertson	Annual

Trustee update

The Trustee collects metrics data on an annual basis, in order to understand the current state of the portfolio regarding its emissions, data quality and portfolio alignment metric. This data is evaluated in order to produce a metrics related target, whereby in this instance the Trustee has elected for the Data Quality.

Metrics data has been collected in line with industry practice and supported by the F&IC and its advisers. The Trustee also agreed additional metrics for reporting, as per changes to the climate reporting regulations for this Plan year. In addition, the Trustee has reviewed the target which was set previously, and any refinements required to this. More details can be found in the metrics and targets section of this report.



Metrics & Targets

Metrics help to inform our understanding and monitoring of the Plan's climate-related risks. Quantitative measures of the Plan's climate-related risks, in the form of both greenhouse gas emissions and non-emissions-based metrics, help us to identify, manage and track the Plan's exposure to the financial risks and opportunities climate change will bring.



The Trustee's 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 a key way 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

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

Scope 2

These are the indirect emissions from the generation of electricity purchased and used by an organisation

Scope 3

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. For more information, please see the appendix.

The metrics we use



Total Greenhouse Gas emissions

The total greenhouse gas (GHG) emissions associated with the portfolio. It is an absolute measure of carbon output from the Plan's investments and is measured in tonnes of carbon dioxide equivalent (tCO₂e).

This year the Trustee was able to obtain scopes 1&2 and scope 3 emissions separately for some of the Plan's asset classes.



Carbon footprint

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. It is measured in tonnes of carbon dioxide equivalent per million pounds invested (Tco₂e/£m).

This year the Trustee was able to obtain scopes 1&2 and scope 3 emissions separately for some of the Plan's asset classes.



Data quality

A measure of the proportion of the portfolio that the Trustee has high quality data for (i.e., data which is based on verified, reported, or reasonably estimated emissions, versus that which is unavailable).

This has been selected on the basis that it provides a consistent and comparable measure of the level of confidence in the data.

The Trustee did not need to make any estimations as the data was directly obtained from MSCI or provided by investment managers.



Portion of the portfolio that has SBTi-aligned targets

A metric which gives the alignment of the Plan's assets with the climate change goal of limiting the increase in the global average temperature to 1.5°C above pre-industrial levels.

It is measured as the percentage of underlying portfolio investments with declared net-zero or Paris-aligned targets that have been verified by the Science based Target initiative (SBTi).

The Implied temperature rise (ITR) is a forward-looking metric that considers the pledges, commitments and business strategy changes that underlying investee companies/issuers have made. It provides a prediction of the potential temperature rise over the rest of the century based on the activities of those companies and issuers as a temperature score.



Implied Temperature rise²

This metric gives the alignment of the Plan's assets with the climate change goal of limiting the increase in the global average temperature to 1.5°C above pre-industrial levels. It is measured as the potential global temperature rise associated with the GHG emissions from a portfolio, expressed in degrees Celsius.



² Please note DWP guidance states that the trustee should not be aggregating the ITR, unless the same methodology has been used across the scheme's investments.² We have relied on the individual manager data, hence the consistency of methodology cannot be guaranteed. [Statutory guidance: Governance and reporting of climate change risk: guidance for trustees of occupational schemes - GOV.UK \(www.gov.uk\)](#)

DB Structure

The Plan's climate-related metrics

The table below summarises climate-related metrics for the Plan's DB assets over two of the reporting years. A more detailed breakdown of the Plan's climate-metrics by asset class is shown on page 35.

Key observations

The Trustee acknowledges that the total GHG emissions have decreased significantly over the year which can be attributed to the fall in LDI from £3.8bn in 2022 to £0.9bn in 2023, leading to lower emissions for the LDI assets and for the Plan overall. The reduction in scope 1 and 2 GHG emissions can also be attributed to the reduced data coverage from 57.3% in 2022 to 46.9% in 2023.

The Trustee also notes that carbon footprint has increased from 2022. This can be attributed to a combination of two factors. Firstly, the Trustee notes more managers were able to disclose on their carbon footprint and secondly, the inclusion of scope 3 emissions in line with the requirements for this reporting year and annually going forward.

Data coverage has slightly fallen compared to last year, this can be explained by the lower proportion of LDI assets in the portfolio, for which the data coverage is high relative to the other asset classes. Also, scope 3 data coverage is limited at this time as expected. This can be attributed to the challenges faced with reporting on scope 3 emissions and it being a relatively new requirement for the Plan's underlying managers to disclose on. The Trustee hopes there to be improvements in scope 3 emission disclosures for future reporting years, where more industry-standard guidance is established.

	Year	Total GHG emissions	Carbon footprint	Data coverage	Implied Temperature Rise	Portion of Portfolio SBTi aligned
Total assets	2023	481,410 tCO ₂ e (scope 1 and 2)	195.0 tCO ₂ e/£m (scope 1 and 2)	46.8% (scope 1 and 2) 8.3% (scope 3)	1.7 - 3.3°C	3.9%
		2,154,023 tCO ₂ e (scope 3)	872.5* tCO ₂ e/£m (scope 3)			
Total assets	2022	1,186,331 tCO ₂ e (Scope 1 and 2)	166.5 tCO ₂ e/£m (scope 1 and 2)	57.3% (scope 1 and 2)	n/a	n/a

Source: MSCI, SSGA, Aon. Data is as at YE 2022 and YE 2023 respectively.

N/A – the portfolio alignment metric was not applicable in the first year of TCFD reporting.

Note: The table above is shown for illustrative purposes and the Trustee notes that the underlying asset managers' methodologies may differ. Metrics have been presented on an asset class level further down in the report.

*Includes both upstream and downstream scope 3 emissions.

Methodology for Data Collection

The Trustee, supported by its fiduciary provider for the DB Structure, SSGA, collected the carbon emissions data using the industry standard Carbon Emissions Template (CET)³. The Trustee's investment adviser, Aon, collated the manager data together with MSCI data to obtain carbon metrics for the Plan's portfolio. The CET was developed by a joint industry initiative by the Pension and Life Savings Association (PLSA), Association of British Insurers (ABI) and Investment Association Working Group. The CET provides a standardised set of data to help pension schemes meet their obligations under the Climate Change Governance and Reporting Regulations, and associated DWP Statutory Guidance, and to help insurers and investment managers fulfil their obligations under the FCA's new ESG Sourcebook as set out in PS21/24.

When collecting the data, the Trustee noted the following:

Asset Class	Approach
Global Equity	Carbon metrics data was obtained through running the portfolio holdings which were provided by SSGA through MSCI.
Multi-Asset Credit	Carbon metrics data was obtained through running the portfolio holdings which were provided by SSGA through MSCI.
Fixed Income	Carbon metrics data was obtained through running the portfolio holdings which were provided by SSGA through MSCI.
LDI	Carbon metrics data was obtained through running the portfolio holdings which were provided by SSGA through MSCI.
Private Equity	Carbon metrics data was provided by the underlying managers. Aon applied respective carbon footprint figures to the Plan's invested capital to infer the Plan's total carbon emissions.
Illiquid Credit	Carbon metrics data was provided by the underlying managers. Aon applied respective carbon footprint figures to the Plan's invested capital to infer the Plan's total carbon emissions.
Index-Linked Property	Carbon metrics data was provided by the underlying managers. Aon applied respective carbon footprint figures to the Plan's invested capital to infer the Plan's total carbon emissions.

Other notes:




1. Where carbon data was supplied in USD terms, Aon converted it to GBP terms as at 31 March 2023 FX rate.
2. Carbon data was not received for the following asset classes: Infrastructure and Property Debt.
3. The Trustee excluded Hedge Funds and Property from the analysis on the basis of divestment from these asset classes.
4. Cash and Accruals was excluded from carbon data analysis on a materiality basis.

³ Data Delivery Frameworks | The Investment Association (theia.org)

The Plan's climate-related metrics

In the table below are the climate-related metrics for the Plan's DB assets. The metrics below are shown separately by asset class due to the differences in methodology used for each asset class.

The carbon metrics

Asset class	Asset allocation %	 Data Coverage (%)		 Total GHG emissions (tCO ₂ e)			 Carbon footprint (tCO ₂ e/£m)		
		Scopes 1 & 2	Scope 3	Scopes 1 & 2	Scope 3 upstream	Scope 3 downstream	Scopes 1 & 2	Scope 3 upstream	Scope 3 downstream
Global Active Equities	4.7%	96.9%	96.4%	65,400	102,552	361,216	80.7	126.6	445.6
Global Passive Equities	1.3%	99.8%	99.6%	50,396	99,046	278,505	62.2	122.1	343.6
Multi-asset credit	0.9%	51.8%	51.8%	122,688	112,445	716,105	151.4	138.7	883.4
Fixed Interest Bonds	2.7%	44.0%	42.6%	84,381	139,321	343,904	104.1	171.8	424.3
LDI	35.11%	98.5%	-	140,814	-	-	162.5	-	-
Private Equity	22.0%	8.7%	-	12,729	-	-	123.9	-	-
Illiquid Credit	4.7%	25.1%	18.6%	2,348	929	-	58.8	23.3	-
Index-Linked Property	6.4%	27.8%	-	2,655	-	-	17.0	-	-
Cash and other assets	-	-	-	-	-	-	-	-	-

Source: MSCI, SSGA, Investment managers / Aon. Data as at 31/03/2023 unless specified otherwise.

Portfolio Alignment Metrics



Asset class	Asset Allocation %	Implied Temperature Rise (°C)	Portion of Portfolio SBTi aligned (%)
Global Active Equities	4.7%	2.5	41.1%
Global Passive Equities	1.3%	2.5	40.1%
Multi-asset credit	0.9%	3.3	12.2%
Fixed Interest Bonds	2.7%	1.7	29.4%
LDI	35.11%	-	1.5%
Private Equity	22.0%	-	-
Illiquid Credit	4.7%	-	-
Index-Linked Property	6.4%	-	-
Cash and other assets	-	-	-

Source: MSCI, SSGA, Investment managers / Aon. Data as at 31/03/2023 unless specified otherwise.

Additional notes:

- MSCI data was used for the following asset classes; Global Active Equities, Global Passive Equities, Multi-Asset Credit, Fixed Interest Bond and LDI.
- SSGA, the Plan's fiduciary manager, collected carbon data from the Plan's investment managers for Private Equity, Illiquid Credit and Index-Linked Property.
- Property and Hedge funds have been excluded from the analysis on the basis of materiality.
- Property debt has not been included in the above analysis since no data was provided by the investment manager.
- MSCI has generated scope 3 emissions data into upstream and downstream. This split between upstream and downstream has been shown in the carbon metrics table above.
- For the hedging assets, carbon metrics are shown solely in relation to the Plan's physical gilt holdings. This excludes repo, interest rate and inflation swaps and cash.
- Carbon data metric calculation methodology for hedging (and LDI) has not yet been agreed industry wide meaning the LDI total emissions figures are subject to change in the future and are based on estimations at the current time.
- Carbon metrics relating to derivative investments have been excluded. The DWP notes that methodologies for calculating metrics in relation to certain asset classes, particularly derivatives (such as repo and interest rate and inflation swaps), are not yet established. At this time, trustees are not expected to be able to readily calculate emissions associated with derivatives.

How are LDI emissions calculated?

The method the Trustee has used to calculate LDI emissions is different to the approach used for the other Plan's asset classes. LDI emissions have been taken from MSCI, which has been based on Weighted Average Carbon Intensity (WACI). This measures the portfolio's exposure to carbon-intensive companies by revenue expressed as (tCO₂e/ \$m GDP nominal).

By contrast, carbon emissions for the Plan's other asset classes, for instance equities, are based on the carbon footprint (tons CO₂e / \$M invested), which are the emissions associated with the underlying companies they are invested in.

Data observations and limitations

Because data was not available on a number of assets that the Plan invests in (including infrastructure, property, property debt and hedge funds), 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 Trustees expects that in the future better information will be available from managers (driven in part through continued engagement via SSGA) and this improvement will be reflected in the coming years' reporting.

The Trustee's investment adviser, Aon, requested data via SSGA for the Plan's Private Managers where Aon was unable to obtain carbon data from MSCI. Below summarises the data the Trustee received for the Plan's Private managers.

- 5 of illiquid holdings managers provided carbon data in the requested CET carbon template
- 2 of illiquid holdings managers provided limited carbon data that could not be used for TCFD reporting purposes
- 7 of illiquid holdings managers did not provide any information.

Aon does not make any estimates for missing data.

The Trustee notes that there is not yet an industry-wide standard on calculating some of these metrics and that different managers may use different methods and assumptions when providing data to the Trustee.

These issues are common across the industry at the current time and highlight the importance of TCFD-aligned reporting to improve transparency. The Trustee expects that in the future better information will be available from managers as the industry aligns to expectations and best practice standards.

DC Structure

The Plan's climate-related metrics

The table below summarises climate-related metrics for the Plan's DC assets over two of the reporting years.

Key observations

The Trustee's DC investment adviser, Hymans Robertson, requested data from Legal & General which is the Plan's sole DC fund manager/provider. The Trustee acknowledges Hymans Robertson was able to disclose on an additional metric, SBTi coverage, which is the percentage of a fund engaged with a Science Based Target initiative. The Trustee also notes total GHG emissions have slightly decreased over the year.

GHG emissions are the highest for the Equity and Multi-Asset DC funds in absolute terms. The Trustee also notes Carbon footprint was the highest for the Emerging Markets Fund at 220.2 tCO₂e/£m. It is also worth noting that carbon footprint for the Future World Global Equity Fund and MAF funds are lower than the standard global equity index and multi-asset funds.

The Trustee observes that carbon footprint has increased from 2022. This can be attributed to improvements in carbon reporting.

Data coverage has increased from 78% to 87%. Hyman Robertson, the Plan's DC investment adviser, was unable to report on scope 3 emissions since LGIM was unable to provide this in their general reporting. This can be attributed to the challenges faced with reporting on scope 3 emissions, the unreliable nature of scope 3 data and it being a relatively new requirement for the Plan's underlying managers to disclose on. The Trustee hopes there to be improvements in scope 3 emission disclosures for future reporting years, where more industry-standard guidance is established.

	Year	Total GHG emissions	Carbon footprint	Data coverage	Implied Temperature Rise	Portion of Portfolio SBTi aligned
Total assets	2023	2,667	88.9	87% (scope 1 and 2)	1.9 - 3.6°C	Please refer to page 41 for further information.
		tCO ₂ e (scope 1 and 2)	tCO ₂ e/£m (scope 1 and 2)			
		n/a (scope 3)	n/a (scope 3)	n/a (scope 3)		
Total assets	2022	2,707.8	83.8	78% (scope 1 and 2)	3.3 -4.8 °C	n/a
		tCO ₂ e (Scope 1 and 2)	tCO ₂ e/£m (scope 1 and 2)			

Source: Fund Manager (Legal & General Investment Management Limited), Hymans Robertson LLP, Data is as at YE 2022 and YE 2023 respectively.

These are the Plan's DC metrics:

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		Absolute Metric	Intensity Metric	Data Quality
	£m	% of Assets	Total Green House Gases (tons)	Carbon Footprint (Emissions per £m)	Total Coverage %
L&G Global Equity 50:50 Index	6.949	23.2%	662.2	95.3	95.4
L&G World (Ex-UK) Equity Index	6.849	22.8%	491.8	71.8	99.6
L&G Multi-Asset	5.663	18.9%	689.7	121.8	90.1
L&G Cash	3.759	12.5%	240.6	64.0	64.4
L&G UK Equity Index	3.833	12.8%	407.5	106.3	92.2
L&G Ethical Global Equity Index	1.121	3.7%	65.3	58.3	98.6
L&G Sustainable Property Fund	0.588	2.0%	n/a	n/a	n/a
L&G Over 5 Year Index Linked Gilts Index	0.275	0.9%	22.6	82.2	n/a
L&G AAA-AA-A Corp Bond All Stocks Index	0.268	0.9%	11.5	42.9	46.3
L&G Over 15 Year Gilts Index	0.165	0.5%	13.6	82.2	0.0
L&G World Emerging Markets Equity Index	0.266	0.9%	58.5	220.2	96.3
L&G HSBC Islamic Global Equity Index Fund	0.097	0.3%	n/a	n/a	n/a
L&G PMC Future World Inflation Linked Annuity Aware Fund 3	0.006	0.0%	0.4	66.2	85.1
L&G Future World Multi-Asset Fund	0.003	0.0%	0.2	84.4	90.0
L&G Future World Global Equity Index	0.070	0.2%	2.3	33.1	98.9
L&G Retirement Income Multi-Asset	0.002	0.0%	0.2	116.8	76.3
L&G Global Diversified Credit	0.000	0.0%	0.0	125.5	74.2
Others	0.067	0.2%	n/a	n/a	n/a

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 1.5°C above pre-industrial levels. The table below summarises the implied temperature rise associated with the current portfolio as well as proportion of portfolio that is SBTi aligned.

Pooled Fund	Fund Value £m	Implied Temperature Alignment degrees C	SBTi Coverage %
L&G Global Equity 50:50 Index	6.949	2.7	56.8
L&G World (Ex-UK) Equity Index	6.849	3.0	57.8
L&G Multi-Asset	5.663	2.9	31.9
L&G Cash	3.759	1.9	n/a
L&G UK Equity Index	3.833	2.6	54.1
L&G Ethical Global Equity Index	1.121	3.0	68.9
L&G Sustainable Property Fund	0.588	n/a	n/a
L&G Over 5 Year Index Linked Gilts Index	0.275	1.9	n/a
L&G AAA-AA-A Corp Bond All Stocks Index	0.268	2.6	16.7
L&G Over 15 Year Gilts Index	0.165	1.9	n/a
L&G World Emerging Markets Equity Index	0.266	3.6	26.3
L&G HSBC Islamic Global Equity Index Fund	0.097	n/a	n/a
L&G Pre-Retirement Inflation Linked Fund	0.006	2.0	25.1
L&G Future World Multi-Asset Fund	0.003	2.8	38.6
L&G Future World Global Equity Index	0.070	2.8	61.3
L&G Retirement Income Multi-Asset	0.002	2.9	24.2
L&G Global Diversified Credit	0.000	2.9	18.1
Others	0.067	n/a	n/a

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.

Last year the Trustee agreed to report against a target for improving the data quality metric. Without meaningful emissions data from the Plan's investment managers, it is very hard for the Trustee to measure the Plan's climate-related risk exposure. So, it is important to set a target to improve the quality of GHG emissions data from the underlying investment managers.

DB Section



2022 Target

Based on the observation of data quality in the first TCFD report, the Trustee agreed to set the following data quality target for the Plan's DB assets, split by asset class over the next five years (using data as at 31 March 2022 as the baseline):

The Trustee has set a target for improving the data quality metric over the next 5 years, to improve the quality of GHG emissions data from managers. The Trustee will initially focus on coverage of data, with the targets outlined in the table below.



2023 Update

In the second year of reporting, there has been a slight fall in the quality of data provided by the Plan's managers. Based on the observation of data quality summarised in the previous section, the Trustee has summarised its progress against its target within the middle column in the table below.

Asset Class	Actual coverage (as at 31 March 2022)	Actual coverage (as at 31 March 2023)	Target coverage (as at 31 March 2027)
Active Equity	95.8%	96.9%	100%
Passive Equity	97.8%	99.8%	100%
Multi-Asset Credit	30.5%	51.8%	75%
Fixed Income	28.5%	44.0%	75%
LDI	86.6%	98.5%	100%
Private Equity ¹	28.5%	8.7%	65%
Illiquid Credit	n/a	25.1%	65%
Index-linked property	n/a	27.8%	65%

Notes in relation to the target data coverage:

- The data coverage targets have been set to collate carbon emission data across scopes 1 and 2. The Trustee aspires to incorporate scope 3 emissions within the Plan's data quality target going forward once

scope 3 data quality has improved. At the time of writing the target is therefore focussed on prioritising the data quality of the Plan's scope 1 and 2 emissions.

- The Trustee acknowledges data coverage is significantly lower than last year for Private Equity. This is due to the difference in how Private Equity data was collected between the two reporting years. In the Plan's year 1 TCFD report, Private Equity data was obtained by MSCI, however in the Plan's second year of reporting, the Plan's fiduciary provider, SSGA, had to reach out to the underlying private equity managers to obtain data.

DC Section



2022
Target

Based on the observation of data quality in the Plan's first TCFD report as at 31 March 2023, the Trustee set a target for the data quality metric in respect of the Plan's DC assets, split by asset class over the next five years (using data as at 31 March 2022 as the baseline). Since all the DC assets have now moved to the L&G Master Trust this target is no longer applicable to the Plan.

The target was to improve the data quality metric for listed equity and public fixed income to 100% by 2025. To improve the quality of GHG emissions data from managers, the Trustee has agreed to initially focus on coverage of data, with the targets outlined in the table below.



2023
Update

In the second year of reporting, the Trustee recognises that there has been a rise in the quality of data provided by the Plan's managers, as summarised in the table below.

2021 Data Quality metric	2022 Data Quality target	2023 Data Quality metric
78%	>78%	87%

Notes in relation to the target data coverage:

- The data coverage targets have been set to collate carbon emission data across scopes 1 and 2.
- The Plan's DC assets have performed well against the stated target, with the Trustee clearly reaching its target of achieving greater than 78% data coverage.

Suitability of target

DB Section

The Trustee believes the original target, which focuses on improving the data quality metric for carbon emissions data across scopes 1 and 2 by 2027, remains suitable.

DC Section

The Trustee believes the original target, which focuses on improving the data quality for listed equity and public fixed income to 100% by 2025 to be no longer applicable, since all the DC assets have now moved to the L&G master trust.

Observations

- As a result of the collection of data for the second-year reporting period, data was available for some of the Plan's assets, with coverage varying across the asset classes in which the Plan invests.
- Scope 3 carbon data was not available for most of the managers who manage a significant portion on the Plan's overall portfolio.
- Data was not available for most of the Plan's private asset classes within the DB structure.

What is the Trustee doing to reach the target?

The Trustee will continue to engage with the investment managers directly, or through Aon and SSGA to encourage the provision of scope 3 data for the next reporting cycle. The Trustee no longer intends to engage with L&G regarding the DC Structure, since all the DC assets have now moved to the L&G master trust.

In addition to engagement undertaken, the Trustee expects that improvement in data availability and reporting will in part be dependent on improved industry methodologies to calculate carbon metrics, including increased regulatory requirements for reporting carbon metrics.

Appendices

Glossary

- Governance** refers to the system by which an organisation is directed and controlled in the interests of shareholders and other stakeholders.⁴ 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.⁵
- 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.⁶
- 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.⁷
- 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.⁸
- 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 utilization 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.⁹

⁴ A. Cadbury, [Report of the Committee on the Financial Aspects of Corporate Governance](#), London, 1992.

⁵ OECD, [G20/OECD Principles of Corporate Governance](#), OECD Publishing, Paris, 2015.

⁶ TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

⁷ Ibid

⁸ Ibid

⁹ Ibid

Greenhouse gas emissions (“GHG”) scope levels¹⁰	<p>Greenhouse gases are categorised into three types or ‘scopes’ by the Greenhouse Gas Protocol, the world’s most used greenhouse gas accounting standard.</p> <p>Scope 1 refers to all direct GHG emissions.</p> <p>Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat, or steam.</p> <p>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.¹¹</p>
Value chain	<p>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).¹²</p>
Climate scenario analysis	<p>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.¹³</p>
Net zero	<p>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.¹⁴</p>

¹⁰ World Resources Institute and World Business Council for Sustainable Development, [The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard \(Revised Edition\)](#), March 2004.

¹¹ PCC, [Climate Change 2014 Mitigation of Climate Change](#), Cambridge University Press, 2014.

¹² TCFD, [Recommendations of the Task Force on Climate-related Financial Disclosures](#), 2017

¹³ Ibid

¹⁴ Energy Saving Trust, [What is net zero and how can we get there? - Energy Saving Trust](#), October 2021

Appendix - An explanation of the risk categories

In the analysis, the climate-related risks have been categorised into physical and transitional risks. Below are examples of transition and physical risks.

Transition risks

Transition risks are those related the ability of an organisation to adapt to the changes required to reduce greenhouse gas emissions and transition to renewable energy. Within transition risks, there are four key areas: policy and legal, technological innovation, market changes, and reputational risk.

Policy and legal

Examples

Increased pricing of GHG emissions
Enhanced emissions-reporting obligations
Regulation of existing products and services

Potential financial impacts

Increased operating costs (e.g. higher compliance costs, increased insurance premiums)
Write-offs, asset impairment and early retirement of existing assets due to policy changes

Technology

Examples

Cost to transition to lower emissions technology
Unsuccessful investments in new technologies

Potential financial impacts

Write-offs and early retirement of existing assets
Capital investments in technology development
Costs to adopt new practices and processes

Market

Examples

Changing customer behaviour
Uncertainty in market signals
Increased cost of raw materials

Potential financial impacts

Reduced demand for goods and services due to shift in consumer preferences.
Abrupt and unexpected increases in energy costs.
Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations).

Reputation

Examples

Stigmatisation of sector
Increased stakeholder concern or negative stakeholder feedback

Potential financial impacts

Reduced revenue from decreased demand for goods and services.
Reduced revenue from decreased production capacity (e.g., delayed planning approvals, supply chain interruptions)
Reduced revenue from negative impacts on workforce management and planning

Physical Risks

Physical risks refer to the physical impacts of climate change on a firm's operations. They directly impact a firm's ability to perform its function due to climate disruption. They fall into two subcategories: acute and chronic; acute referring to extreme climate events such as flooding and wildfires, and chronic referring to trends over time such as an increase in temperature or ocean acidification.

Acute

Examples

- Extreme heat
- Extreme rainfall
- Floods
- Droughts
- Storms (e.g., hurricanes)

Chronic

Examples

- Water stress
- Sea level rises
- Land degradation
- Variability in temperature
- Variability in precipitation

In any case, these two types of risk (transition and physical) can place adverse effects upon the performance of assets and thus must be considered and mitigated against.

Appendix – Greenhouse gas emissions in more detail







Greenhouse gases in the atmosphere, including water vapour, carbon dioxide, methane, and nitrous oxide, keep the Earth's surface and atmosphere warm because they absorb sunlight and re-emit it as heat in all directions including back down to Earth. Adding more greenhouse gases to the atmosphere makes it even more effective at preventing heat from leaving the Earth's atmosphere.

Greenhouse gases are vital because they act like a blanket around the Earth making it the climate habitable. The problem is that human activity is making the blanket "thicker". For example, when we burn coal, oil, and natural gas we send huge amounts of carbon dioxide into the air. When we destroy forests, the carbon stored in the trees escapes to the atmosphere. Other basic activities, such as raising cattle and planting rice, emit methane, nitrous oxide, and other greenhouse gases.

The amount of greenhouse gases in the atmosphere has significantly increased since the Industrial Revolution. The Kyoto Protocol¹⁵ identifies six greenhouse gases which human activity is largely responsible for emitting. Of these six gases, human-made carbon dioxide is the biggest contributor to global warming.

Each greenhouse gas has a different global warming potential and persists for a different length of time in the atmosphere. Therefore, emissions are expressed as a carbon dioxide equivalent (CO₂e). This enables the different gases to be compared on a like-for-like bases, relative to one unit of carbon dioxide.

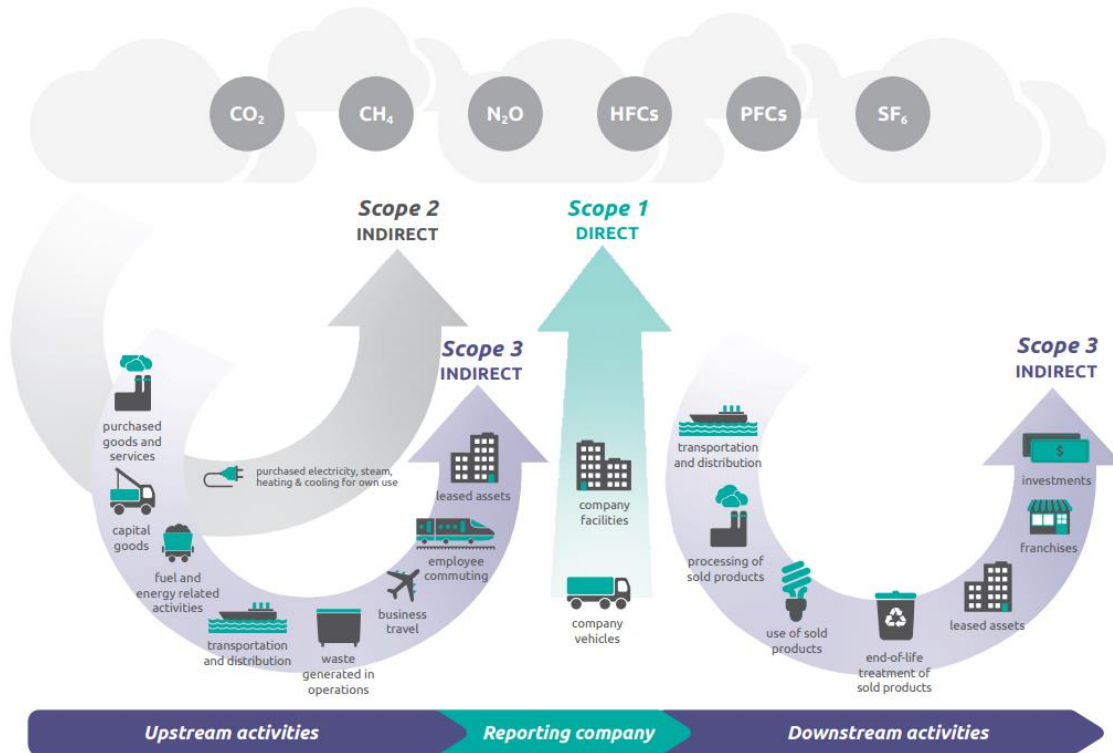
Six main greenhouse gases identified by the Kyoto Protocol

					
Carbon dioxide	Methane	Nitrous oxide	Hydro-fluorocarbons	Per-fluorocarbons	Sulphur hexafluoride
CO ₂	CH ₄	N ₂ O	HFCs	PFCs	SF ₆

¹⁵ https://unfccc.int/kyoto_protocol

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

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