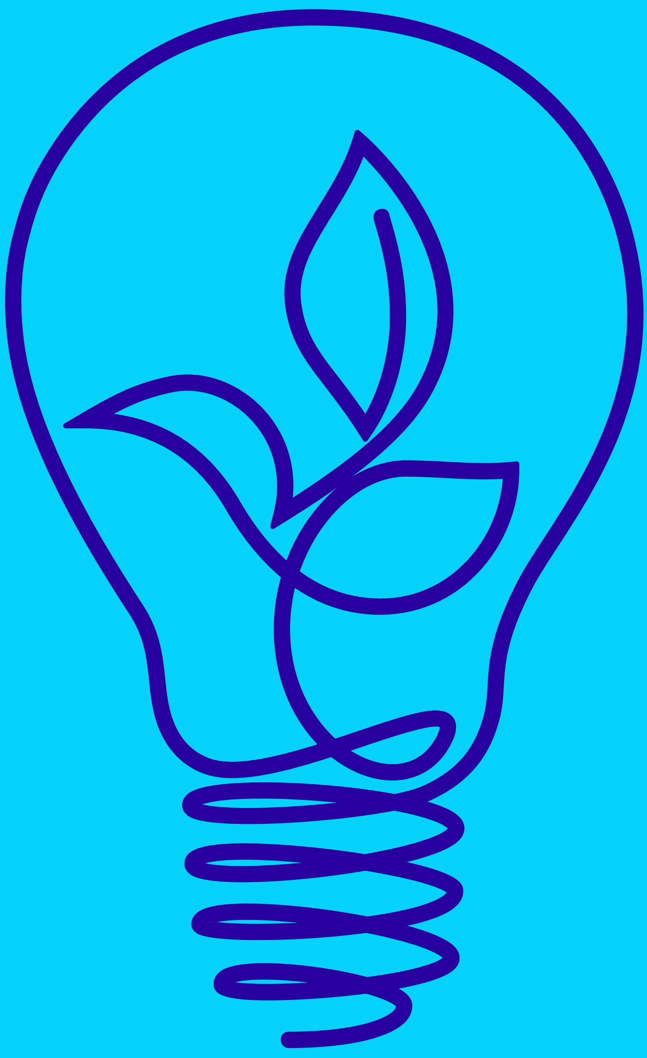
the people's pension

Task Force on Climate-related Financial Disclosures report

2023/24



Profit for people

Contents

Member summary

Why is climate change important to you and your pension?

Climate scientists have for a long time agreed that there is a link between greenhouse gas emissions and climate change. As more and more greenhouse gases fill the atmosphere, they trap extra energy closer to the Earth's surface, causing the planet to heat up. Now this doesn't mean that temperatures in the UK will be hotter every year; there will be ups and downs, but it does mean that the average global temperature will be much hotter than if human activity wasn't releasing those greenhouse gases.

In 2015, 195 nations agreed to combat climate change and to work together to limit global warming and to pursue efforts to limit the temperature increase to 1.5˚C above pre-industrial levels. Climate scientists have predicted that in order to do so, the global economy needs to be "net zero" by the year 2050. This conference was held in Paris, which is why it is known as the Paris Agreement.

Net zero emissions means reducing greenhouse gas emissions as much as possible and removing any remaining emissions that are still being released.

By achieving this, society as a whole will no longer be contributing to the total amount of greenhouse gases in the atmosphere.

Pre-industrial is the period between the years 1850-1900 that scientists use as a starting point to judge the impact that fossil fuel burning has had on Earth's climate.

Investing your pension means you are buying ownership in companies around the world, as well as lending money to companies and governments and charging them interest. If those companies are performing well and paying back the loans, the value of your pension can go up, but it can also go down if those companies start to fail.

We want companies to demonstrate that they have a strategy and are taking the risk of climate change seriously when investing your pension savings, because if they don't, we think it could have a negative impact on the company and decrease the value of the investment. However, on the other side of that, if they have a well-thought-out climate strategy, the business may perform very well, and that could increase the value of the investment.

Did you know?

Climate scientists predicted that in 2023 we were already at 1.3˚C of warming above pre-industrial levels.

There is a lot of work to be done globally since we are currently on track for a 3˚C planet.

As your pension scheme, we want to work together with the companies and other financial institutions to help transition the global economy to net zero.

Following the Paris Agreement, a group of experts was brought together to develop a guide for what companies should be publicly reporting about the impact of climate change on their business. This Task Force on Climate-Related Financial Disclosures (TCFD) released their recommendations in 2017. Those recommendations were used as the basis for the UK regulations (and many other countries) that require companies and pension schemes to report their activities in the following areas:

- **Governance** – who is responsible for managing the risk associated with climate change on your pension?
- **Strategy** – what types of climate risk are we looking at?
- **Risk Management** – how is climate change risk being managed?
- **Metrics and Targets** – what is the carbon footprint of your pension, and what are we targeting?

A short summary of each section is provided below.

Who is responsible for managing the risk associated with climate change on your pension?

The People's Pension has a Board of Directors ("**the Trustee**") who are responsible for running the scheme and for looking after all the pots of money held by The People's Pension. Some of those trustees also sit on the Investment Committee, which is responsible for overseeing the specifics of how your pension pot is invested. This committee is tasked with making sure investment risks, including climate risk, are managed appropriately.

The Chief Investment Officer for People's Partnership has been given responsibility for ensuring investment decisions are aligned with The People's Pension's **climate change policy**.

The Trustee is kept up to date with the latest training and discussions on climate change and spends time making sure their advisers and managers do the same.

To find out more about how The People's Pension is run, please see the Governance section of this report.

What types of climate risk are we looking at?

Based on the work by the Bank of England, we think that there are 3 main ways that climate change can impact the value of the companies your pension invests in:

Physical risk - more frequent extreme weather events causing disruption, eg, a flood stopping a factory from operating.

Transition risk - the costs to transition to net zero, eg, money needed to shift from gas to solar energy.

Liability risk: compensation paid for a company's part in worsening climate change, eg, an energy company being sued.

Over the short-term (3-years) and medium-term (15-years), we expect the biggest risk will come from the costs to transition to net zero. Over the long term (30 years), we expect physical risk to be the main driver of financial risk if the increase in global temperature is not controlled.

As well as risks, there could be benefits to the transition to net zero, and we want to be invested in the companies that can access those opportunities.

The Trustee does not believe climate change is being adequately considered in global markets, so it is continually looking at ways that it can manage the investments to manage the climate risks.

When looking to the future, we analyse what risks your pension may be exposed to based on scenarios where the world:

- stays below 1.5˚C,
- stays below 2˚C, or
- reaches 3˚C+ above pre-industrial levels.

A key takeaway from this analysis is that to limit the investment risk, global governments and companies need to act now and ramp up their efforts gradually, rather than waiting until it's too late and introducing separate, rushed strategies.

To find out more about our climate strategy, please see the Strategy section of this report.

Your savings are working towards a net zero target.

In February 2024, we moved approximately £15bn into strategies that are designed to significantly reduce their carbon footprint and to further reduce in line with net zero by 2050.

This means your savings benefit from investing in companies transitioning to net zero and reduces the risk of investing in those that aren't.

How is climate change risk being managed?

We spend a lot of time and resources on managing the climate risks associated with your pension to ensure it receives the importance it requires when we are looking at all potential risks to a member's pension pot.

The People's Pension's **climate change policy** outlines our efforts to attempt to manage the risks and access the investment opportunities of climate change. The primary tools for doing this are:

Portfolio construction – how we invest the portfolio.

Stewardship – how we work with companies and other stakeholders on climate issues.

Reporting – how we publicly report and engage on what we are doing.

Our asset manager, State Street Global Advisors, will have hundreds of meetings a year with companies and vote at thousands of company meetings. In some cases, voting against the board of those companies when they are not reporting in line with the TCFD recommendations.

In April 2024, we released our new **Responsible investment policy**, where we explain what we will be prioritising going forward, how we expect our asset manager to vote on our behalf based on climate change-related requirements, and our expectations for asset managers, companies, and policymakers.

To find out more about how we are managing climate risk, please see the Risk Management section of this report.

In 2023, State Street Global Advisors voted against

132 company directors

for not disclosing in line with the TCFD.

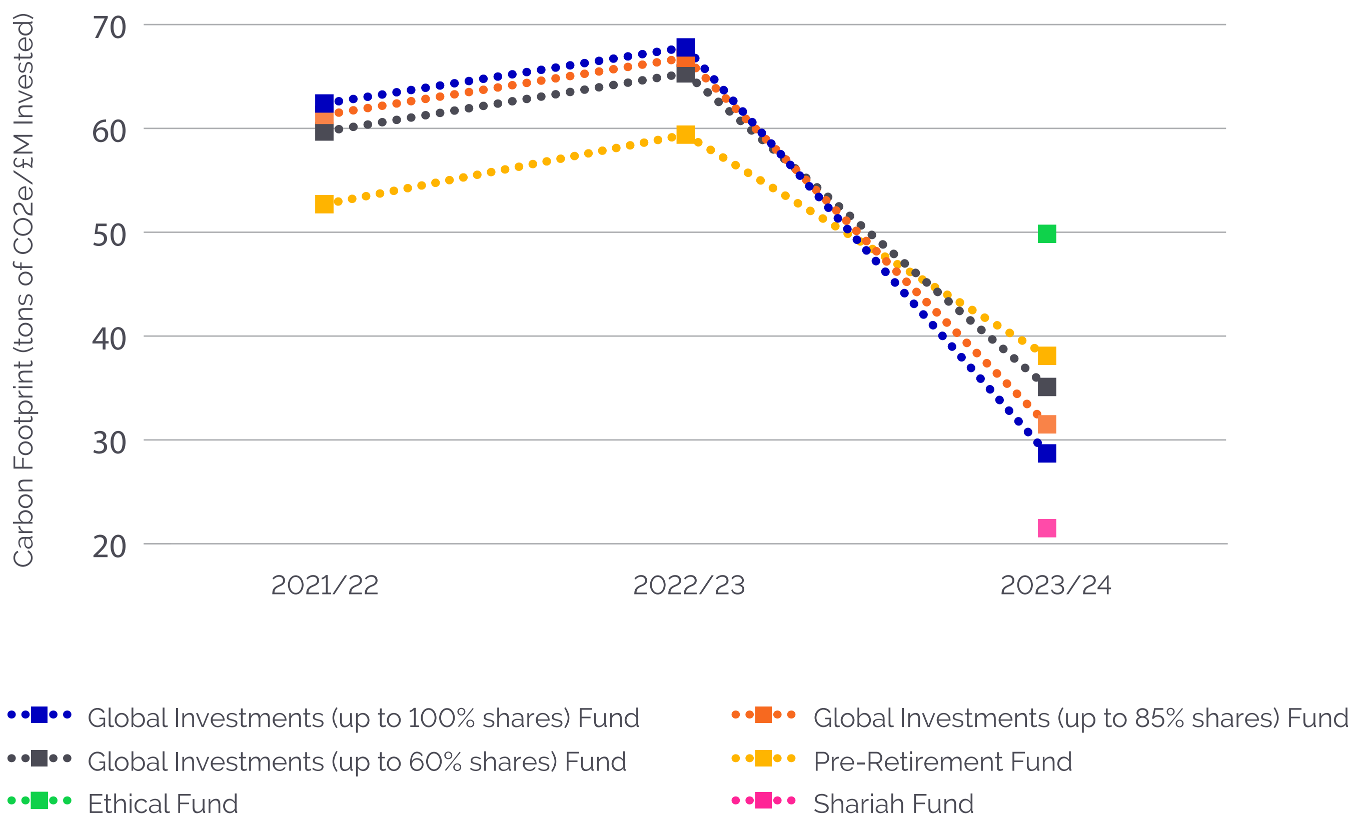
What is the carbon footprint of your pension, and what are we targeting?

The People's Pension has a target of having net zero greenhouse gas emissions by 2050 for its investments, with additional short and medium-term targets aligned with that goal. To help us on this journey, we measure a range of climate-related metrics every year and publish them in our TCFD report.

Metric	Description
Total Carbon Emissions	The emissions that a fund is responsible for through its investments.
Carbon Footprint	Emissions of a fund or portfolio for every £1 million invested. This makes it possible to compare companies or pensions.
Science-based targets	Percentage of the fund invested in companies that have set targets that have been approved to be aligned with the goal of keeping warming below 1.5˚C.
Data Quality	Percentage of the fund where good climate data is available.

Regularly measuring the carbon footprint of a fund allows us to understand which parts of the portfolio are releasing more emissions while accounting for the size of the investment. Over time we are targeting for this number to decrease, showing that the portfolio and the companies we are investing in are responsible for fewer emissions per £m invested.

Carbon Footprint by Fund (Scope 1 + 2)



The chart above shows the evolution of the carbon footprint of the Scheme's most popular funds. The default option is made up of the Global Investments (up to 85% shares) Fund and the Pre-Retirement Fund. The Ethical Fund and Shariah Fund are reported for the first time this year.

These numbers relate to the emissions from a company's day-to-day operations (Scope 1), and the emissions associated with its energy use (Scope 2). Emissions associated with the company's supply chains (Scope 3) are less reliable so are generally reported separately.

Please note: The strategy of the Ethical Fund is due to be updated in September 2024 to be fossil fuel free and have an annual decarbonisation trajectory aligned with 1.5˚C. Visit our website for further information.

The values provided above are for the scheme year 1 April 2023 to 31 March 2024 and are not a reflection of the current metrics for the Ethical Fund.

To find out more about the specifics of our metrics and targets and to see information on the other metrics listed, please see the Metrics and Targets section of this report.

Introduction

The People's Pension

The People's Pension is a defined contribution (DC) master trust open to all UK employers that invests on behalf of over 6m members, receiving contributions of more than £3bn annually. As an open and growing master trust, the Scheme has a long-term investment outlook.

The People's Pension Trustee Limited ("the Trustee"), the Trustee of The People's Pension Scheme ("the Scheme"), has prepared this report to provide an insight into the actions the Scheme is taking to manage climate-related risks and access opportunities. The Scheme's administrator is People's Administration Services Limited (part of the People's Partnership Group).

As trustees of a pension scheme, there is a duty to consider all material financial risks when making investment decisions. The Trustee believes that climate change is and will increasingly be a financial risk that needs to be managed. In addition to this, there are likely massive opportunities for growth that the Scheme's members could benefit from as the global economy transitions to net zero.

Alongside the financial risks that must be considered when investing, there is also an awareness that, with such long investment horizons, younger members are likely to be retiring into a world in which the most drastic climate change impacts are expected to materialise if appropriate action is not taken.

In addition to this, it is noted that the precise risk exposure for each member is likely to vary based on their age when investing in 1 of the Scheme's lifestyle arrangements[1], as the balance of fixed income and growth assets changes within these lifestyle arrangements as a member approaches retirement. Younger members will be invested over a longer time horizon and have a higher proportion of growth assets, meaning they are expected to be more exposed to climate change risks and opportunities.

The Scheme's primary asset manager is State Street Global Advisors (SSGA). An asset manager's commitment to considering climate change risks and opportunities within their investment approach is a key factor in the decision-making process when assessing who will be managing the Scheme's investments.

Scope

This report covers the period from 1 April 2023 to 31 March 2024.

The metrics and scenario analysis have been provided for funds that are defined by the Department for Work and Pensions (DWP) as popular arrangements.[2] Six of the 8 funds the Scheme provides are covered and this constitute over 99% of assets. Popular arrangements are funds that have £100m or more in assets or that account for 10% or more of the assets used to provide money purchase benefits. This includes:

Fund name	Approximate asset size (rounded) (£m) as at 31 March 2024
Global Investments (up to 100% shares) Fund	950
Global Investments (up to 85% shares) Fund	21,000
Global Investments (up to 60% shares) Fund	60
Pre-Retirement Fund	4,000
Ethical Fund	110
Shariah Fund	140

1 For more information on investment profiles: **https://thepeoplespension.co.uk/investing-your-pension/**
2 The Global Investments (up to 60% shares) Fund has also been included, as it holds the same assets as the other investment profile funds, just with a different proportion of shares.

This is the first report in which two of the self-select funds (the Ethical Fund and Shariah Fund) have fit the definition of popular arrangement and are therefore included in the report.

Where appropriate, analysis has been conducted on two 'pools' of assets. The Growth Pool holds all equity and infrastructure assets, and the Income Pool holds all fixed income (excluding cash securities) of 4 of the 6 popular arrangements.[3]

The decision has been made not to consider the climate impact of the employers that use the Scheme as their workplace pension scheme. As a large Master trust with over 100k employers that span all sizes and from all sectors, the belief is that the Scheme is diversified enough to not include this as part of the analysis.

Commitment to sustainability

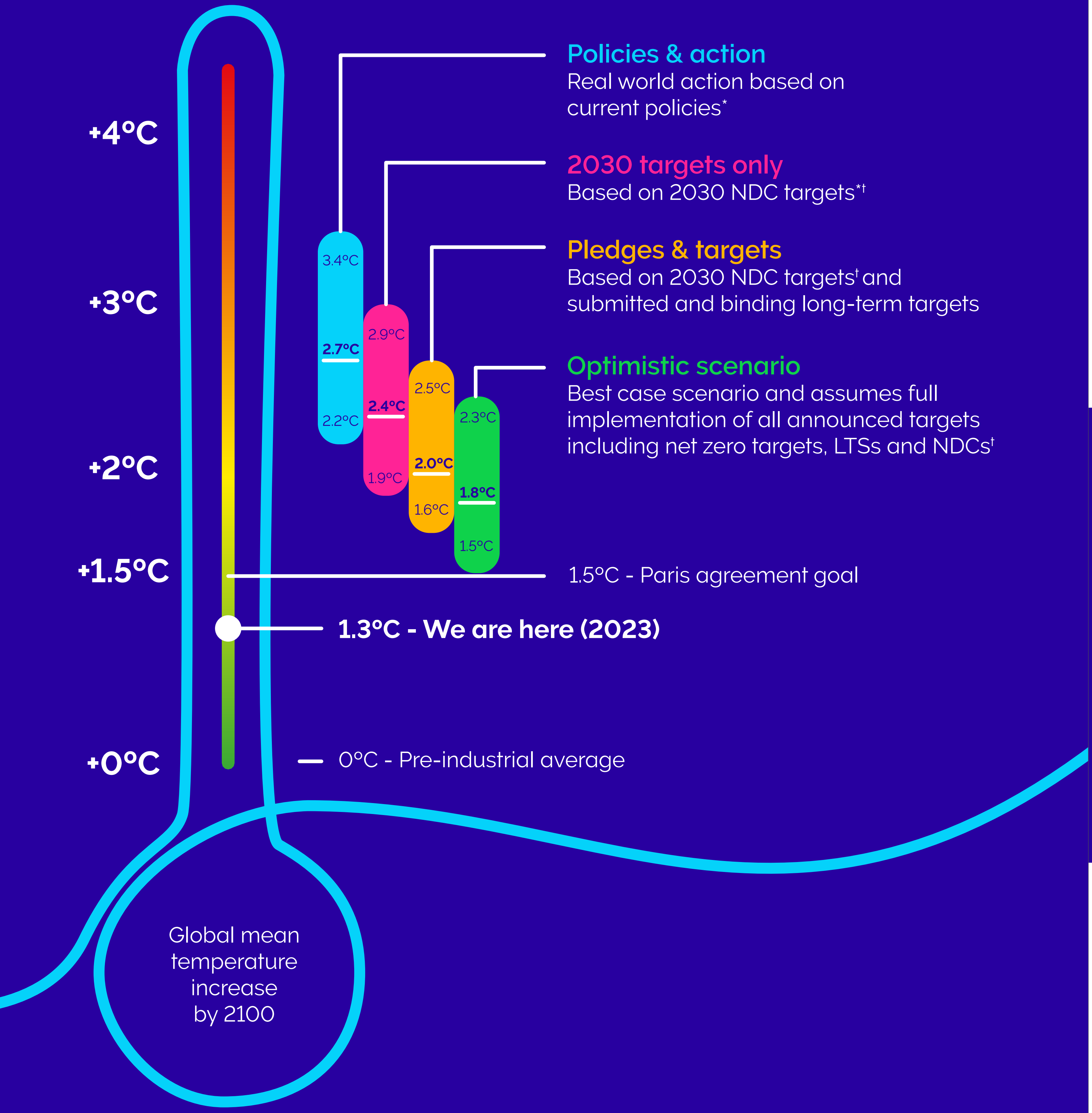
The Scheme has published a **responsible investment policy** and a **climate change policy** to outline the approach to understanding and mitigating environmental, social and governance (ESG) risks within the portfolio. The Scheme has a separate climate change policy to reflect the prioritisation of climate change, as it is likely to be the most financially material of the ESG issues and will affect every business sector and geographical area.

The primary objective of the Scheme's responsible investment approach is to add financial value and resilience to its members' savings through its portfolio construction and stewardship approaches. As a complement to the primary objective, the Trustee also wishes to encourage companies to behave in a more sustainable way for the benefit of society and the world the members retire into.

Without global mitigation, climate change is likely to dramatically impact the portfolio and the Scheme's members. The Scheme's climate change policy is aligned with the scientific consensus that keeping warming below 1.5˚C compared to pre-industrial levels is essential to avoid the most damaging impacts of climate change.

3 Global Investments (up to 100% shares) Fund, Global Investments (up to 85% shares) Fund, Global Investments (up to 60% shares) Fund, and Pre-Retirement Fund.

Global warming projections by 2100



*Temperatures continue to rise after 2100
†If 2030 NDC targets are weaker than projected emissions levels under policies & action, we use levels from policy & action

Climate change

Climate scientists agree there is a link between greenhouse gas emissions and climate change. The effect of greenhouse gas emissions is cumulative and, very importantly, not localised, making tackling climate change a global issue. The Paris Agreement, which was agreed upon by **195 nations at COP21**, sets goals to limit climate change to, at most, 2˚C above pre-industrial levels and to make efforts to limit the temperature increase to 1.5˚C.

If these goals are to be achieved, significant steps need to be taken to reduce greenhouse gas emissions. The global update provided by Climate Action Tracker in December 2023 (see the diagram on the left of this page) suggests warming at the end of the century to have increased by another 0.1˚C compared to last year's update when looking at current warming, '2030 targets only', and 'pledges & targets':

Task Force for Climate-Related Financial Disclosures (TCFD)

The **TCFD** was an initiative aimed at developing consistent, climate-related financial disclosures across different areas of the economy to highlight the risk that climate change poses and to drive action to address it. It aims to create a global set of standard metrics for sustainability-related reporting and disclosures. The Scheme is a public supporter of the TCFD and its recommendations.

The TCFD recommendations are set out across 4 key themes: Governance, Strategy, Risk Management, and Metrics and Targets.

Source: TCFD, 2017

Governance
The organisation's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning

Risk Management
The process used by the organisation 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

This report has been produced in accordance with the requirements of The Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the regulations), including the 2022 amendment that requires the calculation and reporting of a portfolio alignment metric to indicate how well the scheme's assets are aligned with the climate change goal of limiting global warming to 1.5˚C above pre-industrial levels. This is the third annual report providing detail on the actions the Scheme has undertaken in relation to climate change, taking the lead from the recommendations of the TCFD.

This report is structured around the areas shown in the diagram above – that is, Governance, Strategy, Risk Management, and Metrics and Targets. The key recommendations provided by TCFD on the contents of reports are presented at the beginning of each section.

Nature

There is an interconnected relationship between climate-related risks and opportunities and nature-related risks and opportunities. It is therefore imperative that financial institutions are eventually able to integrate their approach to climate and nature when making investment decisions.

Nature refers to different types of ecosystems across land, ocean, freshwater, and the atmosphere, such as tropical forests and rivers and streams. Businesses and financial instruments can be exposed to both risks and opportunities from being dependent on, contributing to, and/or being impacted by changes to these ecosystems.

Nature-related risk is a systemic risk that the Trustee has identified as one of its stewardship priorities (alongside climate change and human rights). The frameworks and data available for assessing nature-related risks and opportunities are still developing. Companies are not reporting the necessary information, but this is expected to improve following the launch of the Taskforce for Nature-Related Financial Disclosure (**TNFD**) and Nature Action 100 (**NA100**) in 2023.

The assessment of nature-related risks and opportunities is very complex, and perhaps even more so than climate as there is not an equivalent quantifiable metric for nature as CO_2e is to climate change. However, the adoption of the TCFD framework as part of mandatory reporting across the globe has established a roadmap for the TNFD to follow.

As part of its new Responsible Investment Policy, the Trustee has set out nature-related expectations for asset managers, including voting guidelines based on deforestation and land use.

The Trustee is working with the People's Partnership investment team and other service providers to understand the capacity to report in line with the TNFD in the short term. Within the scheme year, the Trustee participated in training to discuss the current understanding of how to address financial nature-related risks in portfolios.

The Trustee agrees with the principle set out in the TNFD framework that nature-based reporting should be integrated into and enhance existing reporting. The Trustee intends to engage with UK policymakers and regulatory bodies to promote an integrated reporting approach, and would be supportive of the TNFD recommendations being integrated into the Climate Change Governance and Reporting Regulations mentioned above.

The Trustee believes it can begin to drive change through supporting industry-wide initiatives and holding its asset managers accountable to participate in leading industry coalitions.

The Trustee has identified the following initiatives relevant to nature to prioritise:

Memberships:

- Farm Animal Investment Risk and Return Initiative Initiative (FAIRR)
- Principles for Responsible Investment's (PRI) Circular Economy Reference Group

Supporter of:

- Nature Action 100
- Spring: A PRI stewardship initiative for nature
- Investor Policy Dialogue on Deforestation (IPDD)

Governance

This section aims to:

a) Describe the Trustee's oversight of climate-related risks and opportunities.

b) Describe the roles and responsibilities of the various parties involved in assessing and managing the Scheme's climate-related risks and opportunities.

Roles and responsibilities

The overall governance of the pension scheme is outlined in the Scheme's **Statement of Investment Principles** (SIP). The fiduciary responsibility sits with the Trustee.

To govern the Scheme's investments, the Trustee has established an Investment Committee ("the Committee"), which takes responsible investment into account. The Committee is made up of 3 members of the Trustee Board. The Committee meets at least quarterly to discuss and review investment governance, operations, and strategy. The Committee reviews all investment-related risks, including climate risk, at least twice a year. Having climate risks and opportunities on at least half of the quarterly agendas is proportionate to the importance that the Trustee places on the issue.

Agenda items on climate risks and opportunities that would be brought to the Trustee for consideration include, but are not limited to:

- Changes to climate-related investment beliefs
- Any material updates to the climate change policy, which would include portfolio construction, stewardship, and reporting
- Investment strategy changes, which influence climate risks and opportunities.

Investment service providers are appointed by the Trustee to provide advice, recommendations, training, implementation, and administration services to the Scheme.

The Board of People's Investments Limited ("the Board") is responsible for overseeing the People's Partnership investment function, which includes the Scheme and other pension schemes that People's Partnership administer. The members of the Board have decades of industry experience, including subjects such as climate change and responsible investment.

In practice, People's Partnership works alongside the other investment service providers (refer to Figure 1 below) to research and plan how to implement a proposed change to the portfolio (whether this is at a policy or strategy level).

The Board of People's Investments Limited review this work in its role managing the People's Partnership investment function. In their advisory capacity, Barnett Waddingham reviews all proposals to ensure they are able to provide advice to the Trustee that the proposals are suitable, whether that be the full Trustee Board or the Investment Committee. A decision is then made by the Trustee or the Committee on how to proceed.

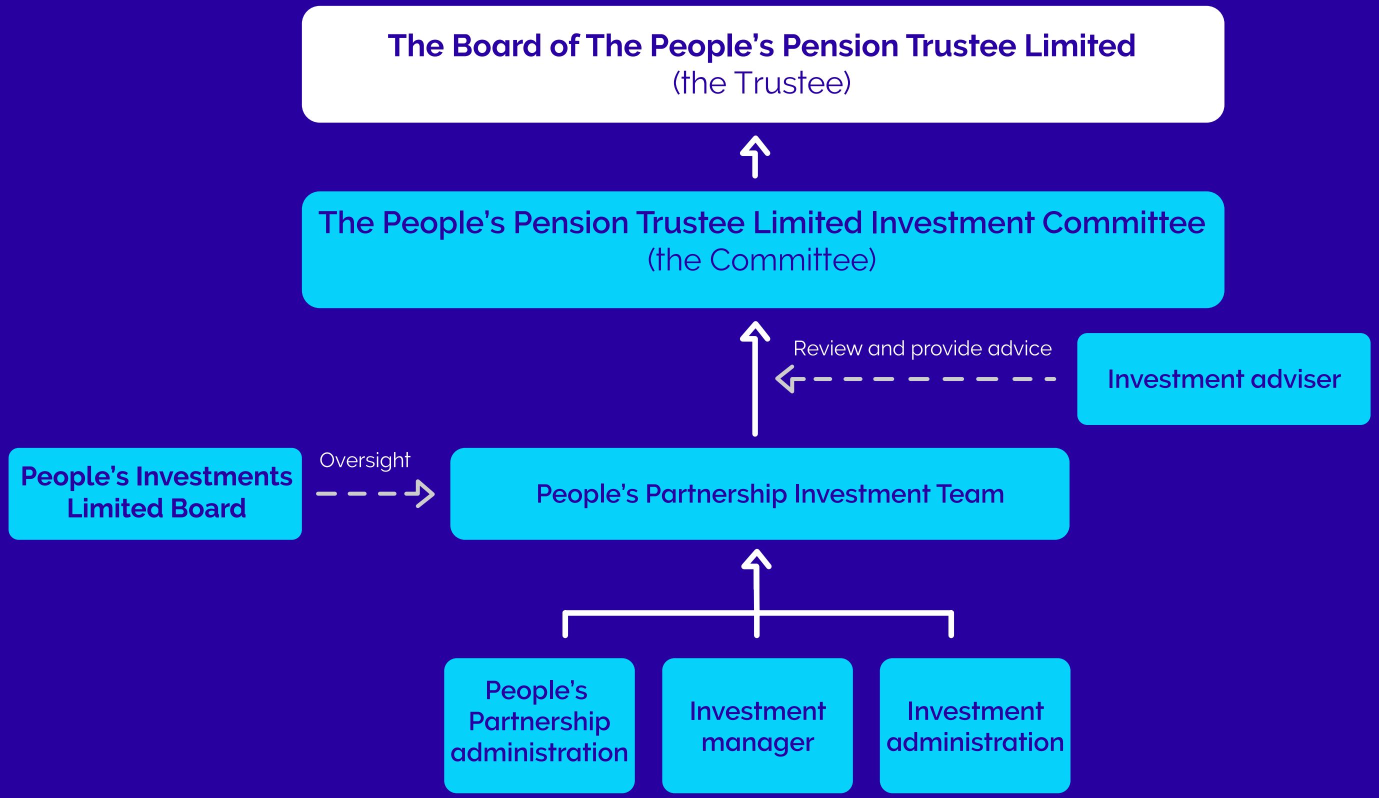


Figure 1: The Scheme governance structure.

While there is still debate around the best way to address climate change risk and opportunities, the Trustee has published in the climate change policy support for the global goal of keeping warming below 1.5˚C compared to pre-industrial levels. This is reflected in the Statement of Investment Principles ("SIP").

The Trustee has made the Chief Investment Officer for People's Partnership responsible for ensuring investment decisions take account of the Scheme's climate change policy. The Chief Investment Officer then reports on these matters to the Trustee.

Training

How the Trustee and the Committee have increased their climate change knowledge

Climate-related risks and opportunities have been established as the priority responsible investment issue for the Scheme. Regular training is conducted throughout the scheme year to ensure knowledge on the subject is maintained and improved. This training and discussion involves a mix of structured training sessions from experts, joint workshops with representatives from the Trustee, the Committee, and People's Investments Limited, as well as shorter presentations on market and policy updates.

Within the period covered by this report, discussions, workshops, and training have included:

- Updates on any reporting requirements (TCFD, SIP, and Implementation Statement).
- Barnett Waddingham's annual summary of climate risk, stewardship, and wider ESG credentials of the Scheme's investment managers, including formal ratings.
- Assessment of climate indices and the index providers who construct them.
- How the Scheme's updated Responsible Investment approach will be implemented.
- The interconnectedness of climate change, nature, and human rights.

During these sessions, discussions were had between the Trustee and presenters on:

- The way in which asset allocation affects climate targets and portfolio characteristics.
- How the Scheme's climate-related investment beliefs can be used to drive portfolio construction, including the value of stewardship in that exercise.
- The impact of aligning the Scheme's portfolio to 1.5˚C on quantitative indicators such as tracking error.
- How the Scheme is positioned in the market for integrating climate risk relative to peers before and after the change to the asset allocation.
- The appropriate level of ESG and stewardship resourcing for an asset manager.
- The implications of asset managers withdrawing from industry and collaborative engagements.
- The importance of schemes setting consistent and achievable targets.
- How climate index methodologies are likely to develop going forward.

Time and resources

The People's Partnership Investment Team led by the Chief Investment Officer meets with the Committee on a quarterly basis to deliver analysis, seek decisions, and provide regular reporting updates. Due to the importance of climate change to the Trustee, particularly in response to the analysis conducted as part of the TCFD process, climate change risks and opportunities were discussed consistently throughout the year in both scheduled quarterly and ad-hoc meetings and workshops.

Within the 2023-24 period, the Committee met to discuss the following topics relevant to climate-related risks and opportunities:

- Review the prior year's TCFD reporting.
- Approval of the responsible investment approach, strategic framework, and stewardship priorities. This includes a list of expectations of asset managers, service providers, companies, and policymakers, as well as outlining the Scheme's net zero voting guidelines. These approvals formed the basis of the Responsible Investment Policy published in April 2024.
- The Scheme's overall investment climate risk as well as the climate risk of the Scheme's investment funds.
- Approval of the £15bn transition to climate-aware index funds for the developed equities portion of the portfolio.
- Approval of public emissions-based targets.

Ensuring service providers are truly experts

To enable the Trustee to make high-quality decisions, the fact-finding and analysis are delegated to the Chief Investment Officer for People's Partnership, who receives input from a range of expert external providers. Barnett Waddingham provides advice to the Trustee on the suitability of any proposed changes to the portfolio. The day-to-day management of the Scheme's assets is delegated to the Scheme's primary asset manager, State Street Global Advisors ("SSGA"). The Scheme reviews Barnett Waddingham and SSGA's climate credentials annually. To check the climate competency of the Scheme's independent investment adviser, the recommendations of the Investment Consultants Sustainability Working Group (ICSWG)[4] are followed. The Trustee is comfortable with the climate competency of Barnett Waddingham and, therefore, has used their services to review SSGA as part of regular manager reviews.

As indicated in the Scheme's **Statement of Investment Principles**, in the event that an asset manager ceases to meet the Trustee's desired aims, including stewardship and the management of climate-related risks, using the approach expected of them, the Trustee engages with the asset manager. Should the collaboration with the asset manager be deemed unsuccessful by the Trustee, their appointment may be reviewed or terminated. The asset managers have been informed of this by the Trustee.

In the future, should a mandate be offered to a new asset manager, the ability to manage the Scheme's assets to address climate-related risks and take advantage of opportunities will be a factor. The Trustee will continue to review industry best practices and ensure that their service providers maintain their current high standards. The Trustee's expectations of asset managers are detailed in the Scheme's **Responsible Investment Policy**.

People's Partnership Investment Team

People's Partnership is committed to offering continuous learning and professional development. Within the Scheme year, members of the investment team completed the Sustainable Finance programme designed by the University of Cambridge Institute for Sustainability Leadership, and the 2023 Climate Change and Investment Academy offered in partnership with Columbia University's Climate School and AllianceBernstein.

4 Trustee Guide: Climate Competency - https://www.icswg-uk.org/resources

Strategy

This section aims to:

a) **Describe the climate-related risks and opportunities identified over the short, medium, and long term.**

b) **Describe the impact of climate-related risks and opportunities on the Scheme's strategy and financial planning.**

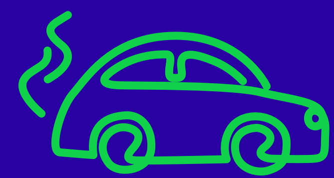
c) **Describe the resilience of the Scheme's strategy, taking into consideration different climate-related scenarios.**

What are climate-related risks?

As set out in the Scheme's climate change policy, the Trustee believes 3 main financial risks capture the range of risks that are likely to manifest because of climate change. This is based on work by the Bank of England's Prudential Regulatory Authority. The 3 risks are:

Physical risk:

These result from potential for more frequent or severe extreme weather events (droughts, flooding, prolonged hot and cold periods) as well as the steady increase in global sea levels and changing prevailing climate. These could cause disruption to businesses holding or relying on physical infrastructure.



Transition risk:

These are associated with the economy moving towards a low carbon economy. Some sectors are going to require significant investment in new infrastructure or face penal incentives from government and civil societythat harm their current business model.

Liability risk:

These come from people or businesses seeking compensation for losses they may have suffered as a resultof physical or transition risks. These may be third-party liabilities (ie, those seeking compensation for damages of physical risks) or direct liabilities (ie, those seeking compensation for financial losses).

All 3 risks can inform investment decisions. However, the extent to which investors can reliably measure them varies given the availability of data and the need to make assumptions for how the future will pan out. The Trustee is keeping these risks under review.

Identifying and assessing climate-related risks

Physical risk

Physical risk analysis is considered less reliable than transition risk analysis because of a number of factors, including the numerous assumptions required for weather patterns, an incomplete dataset for the location of assets, and current limitations on the amount of data available for a range of potential increase scenarios. As time passes and the significance of physical risk grows, the Trustee expects the quality of the data available to improve, both in terms of the coverage of assets and the data being reported by the investee companies, rather than requiring estimation.

Physical risk is more likely to materialise over the long term, but this is not to say that physical risks won't be present in the short and medium term. We are increasingly seeing impacts on coastal infrastructure and housing, rising average temperatures, and cost increases due to natural disasters. The manifestation of physical risks varies significantly in regions around the world.

As a result, it is difficult for the Trustee to make investment decisions that meaningfully address physical risks. However, over the short term, transition and liability risks are likely to be more important to the Scheme's investments. As time passes and physical risks become more prominent, the Trustee expects the quality of the data and their ability to manage physical risks coherently to improve.

Menu

Transition risk

There are several methods for measuring transition risks. Here are a few instances:

Power generation exposure	Fossil fuel reserves	Policy risk
How much do the Scheme's investments rely on fossil fuels compared to renewables?	Through investments, does the Scheme own significant fossil fuel reserves that could become unprofitable as renewable energy becomes more popular?	How much money is invested in companies that would be particularly affected by changing carbon prices or that conduct business in countries that are falling behind their targets for reducing emissions?

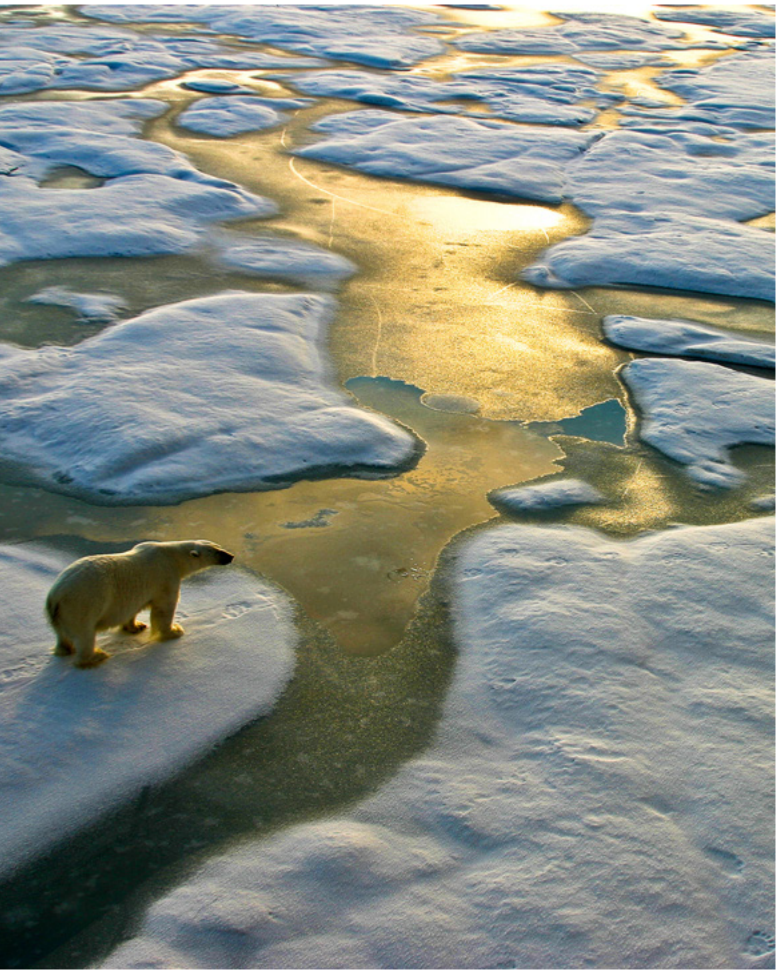
Over the short and medium term, the Trustee expects transition risks to be the most financially material climate-related risks. It will become increasingly clear how well countries and companies around the world are performing against their objectives to reduce emissions, and this could inform investment decisions. This includes formal targets set by parties to the Paris Agreement, and for the UK, the target to reduce emissions by 78% by 2035 (compared to 1990 levels) is legally binding.

A popular objective is to halve emissions by 2030. As the deadline approaches, governments may be obliged to take more decisive action, implementing forceful, sudden, and disorderly policy changes that expose financial instruments to significant transition risks. The working group of experts known as the 'Inevitable Policy Response' commissioned by the UN-backed Principles for Responsible Investment (PRI) share this belief.

Longer term, risks are harder to predict and are dependent on how governments, companies, and wider society respond in the short and medium term to the call to action to decarbonise and stay below 1.5°C of warming.

Liability risk

Liability risk is much harder to measure than the others, however a qualitative approach can be used. For this reason, liability risk is excluded from the quantitative scenario analysis provided below. As this risk is based on parties seeking compensation, it is expected that the companies responsible for a high percentage of historical emissions, and those with particularly high emissions in future, will be disproportionately impacted. The Trustee has noted the increasing number of climate litigation cases, particularly in the US.



Tipping points

Society hitting climate 'tipping points' is a very important consideration across all time horizons. These are events that have the potential to trigger a chain reaction of irreversible changes to the climate and ecosystems of the planet. Sustained increased temperatures leading to disintegration of ice sheets and permafrost, coral reef die-off, and dieback of the Amazon rainforest have all been noted by the IPCC as potential cascading risks.[5] The climate system is so interconnected that any one of these events could trigger another, with irreversible damage across sectors and regions as well as further warming and an increased likelihood of more damaging conditions. These are generally physical in nature, but a response to these events could be abrupt regulations and an increased likelihood of litigation.

Without action in the short to medium term, it may not be possible to reverse or at least limit the damage caused by the global-scale feedback loops, which will make it more challenging to manage the risks over the long term.

5 IPCC, 2022: Summary for Policymakers. In: Climate Change 2022: Impacts, Adaptation, and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change - **https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/**

Climate-related opportunities

As we look to the future, there is great potential for growth opportunities through investing in companies and assets that are poised to benefit as we transition to a net zero carbon economy.

The Trustee is looking at how, as an asset owner, it can position the Scheme's asset allocation for the benefit of members:

Over the short term: The Trustee is focusing on the climate-related risk management of portfolio companies. This will give an indication of how well they manage their emissions and put plans in place to reduce them.

The investment strategy of the Growth Pool's developed equities will invest more or less in a company depending on the risk exposure of a company, the ability to manage that risk, and the development of low-emission products, technology, and services.

Over the medium term: Similar trends are expected. In addition to the opportunities available by investing in companies with high quality management indicators and high levels of current green revenue, there is also the potential for an increased valuation for companies that have expertise in green or low-emissions technology, such as owned patents.

Over the long term: Where the economy stands currently, it seems likely that the closer we get to 2050, there will be a greater need for low-emission, zero-emission and even negative-emission technology throughout the supply chain. Negative emissions technologies are likely to be of particular importance to industries that believe they are unable to completely decarbonise, but these industries cannot stall their transition in hopes of a future solution that may not be viable.

As a Scheme with a very diversified portfolio, there will be companies in the portfolio that will be negatively impacted by transition, as well as those that could see increased market share. The Trustee has taken steps, most notably the transition of the Growth Pool developed equity into climate-aware index funds, to manage the risks and access opportunities, but acknowledges that there is more work to be done. There is significant uncertainty around how climate-related risks and opportunities will manifest, which highlights the importance of a structured investment decision-making framework that looks at climate as one element of a multi-factorial approach.

Timescales

The different time periods the Trustee looks at when making investment strategy decisions are explained here. The Trustee must also take into account the average age of Scheme members and the likely period in which they are expected to retire. As an open and growing pension scheme with a young member base, the long-term time horizon and beyond should be given particular consideration because of retirement age and the potential impacts of climate change.

The timescales detailed here are representative of periods where climate-related risks and opportunities are assessed to understand their impact on the Scheme's strategy and on the investment horizon of the Scheme's members. However, the Trustee recognises that, in reality, climate change and the steps needed to monitor and manage it are continuous. The timescales used will be reviewed and adjusted as necessary.

				Expected importance*		
4.22		Relevance	Members	Physical risk	Transition risk	Liability risk
Short term	3 years	Climate strategy review	Members at or reaching retirement age	✓	✓✓✓	✓
Medium term	15 years	Majority of work required for an orderly transition to net zero	Members de-risking along the glidepath moving from equities to fixed income and cash	✓✓	✓✓✓	✓✓
Long term	30 years	Timeframe for most net zero targets	Younger members in the growth phase. Will likely retire in a period where physical risks will be significant if the temperature continues to rise	✓✓✓	✓✓	✓✓

* ✓ = lower importance, ✓✓ = medium importance, ✓✓✓ = high importance, for the assessment of the respective time period.

6 IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. A Report of the Intergovernmental Panel on Climate Change. Contribution of Working Groups I, II, and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee, and J. Romero (eds.)]. IPCC, Geneva, Switzerland, 36 pages. - **https://www.ipcc.ch/report/ar6/syr/**

Short term (3 years)

The Trustee reviews its climate change policy at least every 3 years, or more regularly if new information emerges. The investment strategy of the Scheme is reviewed at least annually and considers emerging risks and opportunities relating to climate change. However, the Trustee believes that the short-term time horizon should be longer than 1 year to align closely with points at which there is likely to be policy action from governments. The 3–5 year cycle, over which countries will begin assessing their performance against past commitments and updating targets, is likely to be a period in which policy decisions are made. 2025 is the next year in which countries are required to update their nationally determined contributions (NDCs) as part of the Paris Agreement. This timeframe allows for the Scheme's strategy to be reviewed with a better understanding of proposed government action.

Medium term (15 years)

The medium term has been adjusted within this reporting period. It was previously linked to the 2030 date in which the IPCC have stated that emissions need to be halved in order to stay below 1.5˚C.[6] As we approach 2030 the medium- and short-term timescales would have converged, the decision was therefore made to consider a longer timescale that encapsulates the date required for halving emissions but also considers the period after this whereby decarbonisation must continue. This is also aligned with the de-risking glidepath of the Scheme's default option.

Long term (30 years)

The long term has been adjusted within this reporting period. It was previously linked to 2050. Over the long term, the Trustee expects there to be very large differences globally and in markets. Physical risk will become much more significant, especially if the transition has not progressed as required based on IPCC modelling. The IPCC has stated that to have at least a 50% chance of not exceeding 1.5˚C of warming compared to pre-industrial levels, the global economy needs to be net zero by 2050. A 30-year time horizon allows for the consideration of the 2050 target date as well as the subsequent years where more work may be needed in certain regions. This is also aligned with the Scheme's average member's time until their selected retirement age.

Investment strategy

All 3 climate-related risks mentioned above can impact assets held within the portfolio as well as the Scheme's service providers. This could in turn affect the value of assets held by the Scheme for the benefit of members.

The Trustee's belief is that having a well-diversified portfolio reduces the risk of any 1 company or security failing having a significant impact on the value of the whole portfolio. Climate change risk is, however, a systemic risk that cannot be eliminated through diversification alone.

Careful consideration is needed when making investment decisions, in particular when considering deviations from traditional 'market capitalisation-weighted' solutions. When moving away from market capitalisation, consideration should be taken of what is already incorporated into market prices, although this is hard to assess objectively. Alternative capital weighting methodologies that move away from market capitalisation may reduce the number of securities but do so in a way that reduces climate-related risk or increases exposure to climate-related opportunities. The Trustee is also aware that climate risk is not the only investment risk that affects the value of members' pension savings, and this is given due consideration when climate-related investment decisions are made.

When making investment decisions, thorough analysis (both quantitative and qualitative) is conducted to ensure the risk and reward of a change are understood. The Trustee does not currently believe climate risk is always consistently or adequately reflected in market prices and has taken steps this year to mitigate that risk.

Developed equities – transition to climate-aware index funds

Throughout the Scheme year, the Trustee worked alongside the People's Partnership investment team and other service providers on a project that resulted in the developed market equities of the Growth Pool (approximately £15bn - 60% of the portfolio) transitioning to climate-aware index funds. The strategy targets a number of climate-related goals while still allowing for the Scheme to meet the investment return objectives.

The new approach produced a significant reduction in carbon intensity (see Metrics section) but will also result in further decarbonisation of those assets in line with the pathway set out by the IPCC for net zero by 2050.

The primary mechanism of the strategy is an investment tilt, which invests more in companies with the potential to benefit from the growth of low-carbon products and services and less in companies that will see potential asset stranding, reduced demand for products, and increased costs. The climate-aware index funds are constructed to be aligned with the EU's Climate Transition Benchmark requirements.

Work is ongoing on how to manage the climate-related risks and opportunities for the remainder of the portfolio.

The Trustee is also aware of the interconnectedness of climate change and other ESG risks and opportunities. The Trustee remains open to exploring the integration of other ESG risks and opportunities, such as nature and human rights, into its portfolio construction, subject to an evaluation of the availability and robustness of data and analytics.

When making investment decisions, the Trustee is mindful of the 'Just Transition', ie, considering the social dimension of climate change decisions. As a pension scheme with approximately 6m members with a wide range of personal circumstances, it is important to consider the social dimensions of the transition to a net zero economy, which are included as part of the Paris Agreement.[7] The Scheme is also a supporter of Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take the necessary action on climate change. As part of the Climate Action 100+ company assessment, companies are rated on their commitment to the Just Transition and their plans and progress towards a Just Transition.

Climate change resilience

Scenario analysis is an important tool for assessing the influence that climate change could have on the portfolio's performance.

Due to the disparity and difficult in obtaining data for fixed income compared to equities, the decision was made to run the analysis primarily on 2 investment pools. These pools do, however, cover over 99% of the assets within the Scheme's portfolio, excluding cash.

Cash is generally held in what is known as money market funds. These invest in short-term, high-quality, and easily sellable securities. Due to the short-term nature of the assets held in cash funds (usually maturing in less than a year), climate data is generally not available and also not as relevant for judging the risk of these short-term securities. This therefore means that funds that hold cash are likely to have significantly lower data coverage than those that do (eg, the Pre-Retirement Fund).

7 Relevant excerpt from the Paris Agreement – "Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities."

The 2 pools for which analysis is included are: growth assets (Growth Pool), that includes equities and listed infrastructure equity and debt; and fixed income assets (Income Pool), that includes fixed income securities such as corporate and government bonds. The Growth Pool and Income Pool are not funds that members can select directly, but they are building blocks for a number of the funds available to members.[8]

Scenario analysis and metrics have also been provided for the Scheme's popular arrangements as defined by the DWP.[9] For more information on how investment options change as retirement approaches, please see **our webpage**.

The analysis suggests that growth assets are more exposed to climate risks but also have greater potential for exposure to climate-related opportunities. With the nature of the climate risks for equities and fixed income assets varying by timescale, the precise risk exposure for each member will vary based on their age, particularly where they invest in a lifestyle arrangement, such as the default option.

The exposure to climate-related risks and opportunities of different cohorts of members will depend primarily on the mix of equities and fixed-income assets within their individual portfolio. For members that are invested in 1 of the 3 investment profiles, the younger they are, the more equity assets they will be investing in, meaning greater potential exposure to transition risk (policy risk plus technology opportunities). Younger members, however, are also further away from being able to access their retirement savings so will also potentially be exposed to the physical risks of climate change if mitigation is unsuccessful. Members who are within 15 years of their selected retirement age will be increasingly exposed to fixed-income assets, which the analysis suggests could be less exposed to physical and transition risks. However, data issues (not just issues with quality, but also there being no data at all for some assets) associated with fixed-income assets mean this could be a flawed suggestion. The Ethical and Shariah Funds are both 100% equity funds, meaning they will be exposed to similar risks as detailed above for younger members.

Climate scenario analysis

Climate Value-at-Risk (CVaR) is a scenario analysis methodology designed by MSCI (a global provider of equity, fixed income, real estate indices, multi-asset portfolio analysis tools, ESG and climate products) to quantify the expected costs and opportunities driven by the transition and physical risks associated with climate change.

Scenario analysis has been conducted ahead of the 3-year requirement as there was a significant adjustment to the asset allocation of the portfolio in the Scheme year.

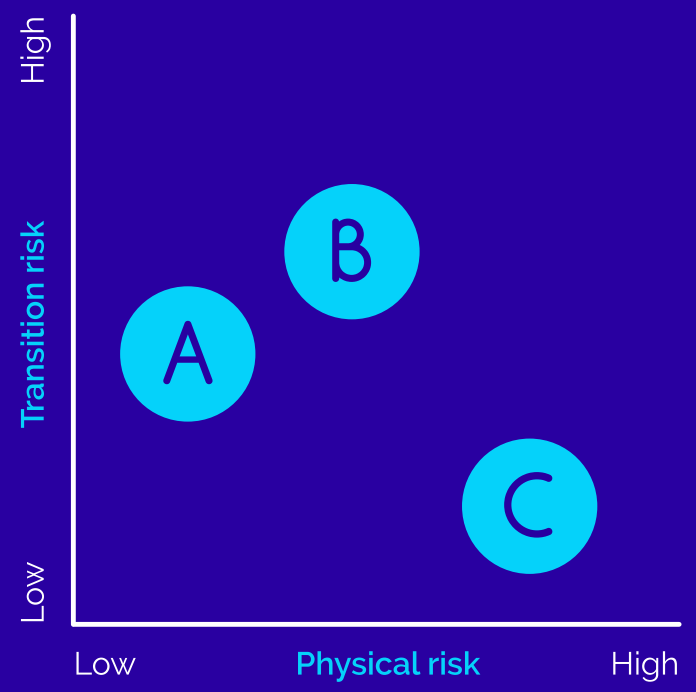
In previous reporting periods, 3 scenarios were selected to assess the portfolio. For this reporting period, a slight change has been made to the scenarios used. The Disorderly 1.5˚C scenario (Divergent Net Zero) was removed by the scenario developer due to a reduced likelihood of this scenario unfolding. As a result, the Trustee believes it is appropriate to also update the scenarios in order to include the most recently published scenarios. The 3 scenarios continue to use the Regional Model of Investment and Development (REMIND) and scenarios developed by the Network for Greening the Financial Sector (NGFS). More detail on the publicly available NGFS scenarios can be found on their **website**.

8 Global Investments (up to 100% shares) Fund, Global Investments (up to 85% shares) Fund, Global Investments (up to 60% shares) Fund, and Pre-Retirement Fund.
9 The DWP defines popular arrangements as those that are £100m or more of the Scheme's assets or that account for 10% or more of the assets used to provide money purchase benefits.

The chosen scenarios allow for a range of different pathways and help draw attention to potential future factors. By choosing both orderly and disorderly transition scenarios, the aim is to give a sense of how the nature of the transition could impact the portfolio. As a Disorderly 1.5˚C scenario has been considered too unlikely to happen; a disorderly 2˚C scenario has been selected. As assumptions are being used, the Trustee accepts that there is significant uncertainty on the output of the analysis, the size of estimates, and variations across regions.

Scenario A	**1.5˚C – Orderly Transition** This assumes global warming is limited to 1.5˚C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050. Emissions Reduction by 2050: 100%+ Carbon Price 2050: $600 USD
Scenario B	**2˚C – Disorderly Transition** This assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2˚C. Emissions Reduction by 2050: 85% Carbon Price 2050: $350 USD
Scenario C	**3˚C** This assumes all country targets pledged by March 2023 are implemented, even if they are yet to be backed up by effective policies and countries keep their level of ambition beyond the NDC horizon. Emissions Reduction by 2050: 50% Carbon Price 2050: $60 USD

Stylised illustration of the scenario's risks



Climate scenario model output

Present value of portfolio impact across 3 scenarios. Values have been rounded to 1dp.[10]

	Orderly 1.5˚C			Disorderly 2˚C			3˚C		
	Policy risk	Technology opportunities	Physical risk	Policy risk	Technology opportunities	Physical risk	Policy risk	Technology opportunities	Physical risk
Growth Pool	-4.8%	+1.1%	-2.9%	-3.3%	+0.5%	-4.0%	-0.8%	+0.2%	-5.4%
Income Pool	-2.1%	+0.0%	-0.1%	-1.0%	+0.0%	-0.2%	-0.1%	+0.0%	-0.2%
Up to 100% shares	-4.8%	+1.1%	-2.9%	-3.3%	+0.5%	-4.0%	-0.8%	+0.2%	-5.4%
Up to 85% shares	-4.5%	+1.0%	-2.6%	-3.1%	+0.4%	-3.6%	-0.7%	+0.1%	-4.9%
Up to 60% shares	-4.2%	+0.9%	-2.2%	-2.8%	+0.4%	-3.1%	-0.6%	+0.1%	-4.2%
Pre-Retirement	-3.0%	+0.5%	-1.2%	-1.9%	+0.2%	-1.7%	-0.4%	+0.1%	-2.2%
Ethical Fund	-9.4%	+1.3%	-2.5%	-7.0%	+0.6%	-3.6%	-2.0%	+0.3%	-5.0%
Shariah Fund	-5.0%	+0.2%	-1.3%	-3.2%	+0.1%	-2.0%	-0.7%	+0.0%	-2.7%

Please note: The strategy of the Ethical Fund is due to be updated in September 2024 to be fossil fuel-free and to include a decarbonisation trajectory aligned with 1.5˚C. More detail is provided on our website **here**.

The values provided above are estimates based on the scheme year 1 April 2023 to 31 March 2024 and are not a reflection of the updated asset allocation of the Ethical Fund.

The table shows an estimation of the present value of the costs and benefits in a range of different scenarios. The value is then expressed as a percentage of the current value of the portfolio and/or company being assessed. Physical risk for all scenarios is available this year, following engagement with the data provider on this previously being a weakness of their offering.

The impact of all 3 scenarios is similar for all strategies analysed, albeit to varying degrees of volatility. Transition risk is greatest when keeping temperatures lower, and physical risk is greatest when temperatures rise. The higher carbon prices included within the scenarios as temperatures are kept lower are a result of adding a deterrent for emitting whilst also incentivising the development and use of green technologies.

This analysis highlights the need to particularly consider transition risks when making asset allocation decisions, since there is no guarantee that an orderly

10 The percentages in the table represent the present value of the future costs (or potential gains) expressed as a percentage of the portfolio, should the scenario be realised. The transition risk output takes into account direct emissions (Scope 1) as well as indirect emissions (Scopes 2 & 3). Technology opportunities are estimated using modelled future low-carbon revenue and company-specific patent data. Policy risk and technology opportunities are modelled to 2050, with physical risk modelled to 2100.

transition will be achieved, but 1.5°C is the aim of global governments to not exceed. Many commitments have been made to achieve net zero by 2050, but there also needs to be particular emphasis when engaging with these companies and governments on ensuring their strategies for achieving net zero involve cooperation and acting to provide an orderly transition in order to protect from the worst of the transition risks. There is also no guarantee that the transition will be complete by 2050.

The Trustee recognises that there are challenges in collectively modelling the expectations of climate scientists, economists, and financial service providers, and that in doing so, the results of these models may not accurately reflect the threat that climate change truly is. This is particularly true for physical risks, where modelling fails to account for the true impact on biodiversity and nature, lives lost to extreme weather, the impact of insurance premiums, supply chain risks, and adaptation costs. The real impact of physical risk is therefore projected to be substantially greater than shown in the table above.

In addition to the comments about tipping points above, the limitations of scenario analysis imply it is realistic to estimate much higher losses than shown in the table above. Time is too short to wait for models to be perfect, so the Trustee will continue to acknowledge the challenges and contextualise any model outputs to ensure there is not too much reliance on what is believed to be artificially understated risk analysis.

Actions being taken in response to climate analysis

Within the Scheme year, significant work has been undertaken to understand and manage the risk of climate change on the Scheme's portfolio. This resulted in a significant change to the asset allocation whereby £15bn was moved into climate aware index funds, meaning the majority of the Scheme's members will be investing a portion of their pension in a way that benefits from investing in companies that are transitioning to net zero and reduces the risk of investing in those that aren't.

The introduction of the climate-aware strategy for the Scheme's developed equity allocation has resulted in a significant reduction (around 50% for the Growth Pool) in the policy risk element of CVaR (Climate Value at Risk) when compared to a global benchmark, with limited change to the technology opportunities and physical risk elements.

Equities were identified as a priority to address in the previous year's reporting due to the more comprehensive data, and the scenario analysis suggested that equity is more exposed to the risks while also having greater potential to invest in climate-related opportunities. The strategy for the developed equities will continue to be monitored, and work on climate change mitigation in other parts of the portfolio is progressing.

The Trustee is aware that there are significant limitations to using scenario analysis; it involves many assumptions and relies on imperfect data. Scenario analysis remains an immature area of research, and model updates are likely to be frequent. Scenario analysis is 1 of many tools used by the Trustee to assess the climate resilience of the portfolio. The Trustee believes that investors have an important role to play in driving improvements in how this analysis develops going forward. However, this should not prevent investors in the interim from integrating climate risk into their strategy and risk management processes, in accordance with their fiduciary duty.

Risk Management

Menu

This section aims to:

a) Describe the process for assessing and identifying climate-related risks.

b) Describe the Scheme's processes for managing climate-related risks.

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

Identifying and assessing climate-related risks

As noted in the previous section, the portfolio was divided into 2 categories: Growth Pool and Income Pool, which together account for around 99% of the portfolio excluding cash. The Scheme seeks to identify and assess climate-related risks at this level, as well as at individual security levels where appropriate.

The Scheme conducts climate analysis at least annually as part of the TCFD process, as well as on an ad hoc basis. This reporting is reviewed and aggregated by the People's Partnership investment team before being provided to the Trustee. An assessment of exposure to certain climate-related risks is evaluated on assets covered by data providers. This includes:

- emissions exposure, including top contributors and emissions split by scope and sector
- the percentage of companies in the portfolio that have committed to aligning with international climate goals
- exposure to fossil fuels, the fuel mix of power generation, and green revenue
- climate-related Value-at-Risk metrics
- proprietary risk ratings.

These tools, alongside the Trustee's own research, allow for a security-level understanding of how climate change risk may impact the portfolio (albeit this must be understood in the context of any limitations to each data source).

The Trustee undertakes training on investment topics on an ongoing basis. This regularly includes climate change topics in line with the prioritisation of climate change as an ESG risk. Training throughout the year has been noted in the Governance section, and these sessions will continue to cover similar subjects, as well as training and knowledge sharing on new developments as required.

During the reporting period, the Committee went through an analysis of the data available for climate-related investment decision-making as well as a quantitative and qualitative assessment of climate indices and index providers. This ultimately led to the transition of the developed market equities in the Growth Pool to climate-aware index funds.

Managing climate-related risks

The Trustee has determined that it remains prudent to retain its net zero ambition for the Scheme and has developed a strategic framework to address the climate-related risks and opportunities that it faces. This has been driven by the Trustee's climate-related investment beliefs and the research that underpins them. This is detailed within the Scheme's climate change policy but is summarised below.

The strategic framework is divided into 3 pillars: Portfolio Construction, Stewardship, and Reporting, and split into 7 principles. The Trustee has committed to:

Portfolio construction
- Consider and manage climate risks and opportunities as part of the Scheme's portfolio construction (Principle 1).

Stewardship
- Manage and track progress against our climate stewardship priorities (Principle 2).
- Integrate climate risk into how the Scheme selects, appoints, and monitors its fund managers and other service providers (Principle 3).
- Hold investee companies to account for the actions they are taking to address climate change risks (Principle 4).
- Engage with the wider investment industry to ensure that it is fit for purpose to achieve our goals (Principle 5).
- Collaborate with other like-minded investors and stakeholders to increase influence (Principle 6).

Reporting
- Annually report on the Scheme's progress through appropriate reporting (Principle 7).

Portfolio construction lies at the heart of the Scheme's climate change approach and will seek to address transition risks for the Scheme's assets, as well as physical risks as data improves and liability risk where possible. Stewardship is a complementary pillar to portfolio construction. The investment community's stewardship is critical for driving the real-world economic changes required to achieve net zero. Stewardship is also crucial to ensure that the disclosure and quality of data improve to allow for effective risk management, portfolio construction, and climate-related reporting by asset owners.

The Scheme's assets are primarily managed passively – that is, the asset manager (SSGA) aims to track the performance of an index. The Trustee, therefore, expects the Scheme's asset managers to identify and assess climate-related risks within their own funds. SSGA conducts stewardship and voting on the Scheme's behalf, with recent examples provided below. While there are occasions where divestment would be supported, the primary route to change when investing in passive funds is through stewardship or through changes in portfolio construction eg, investing in funds tracking a different index.

Examples of activities within the scheme year include:

- The Scheme's transition from market cap index tracking funds to climate-tilted index tracking funds for Growth Pool developed equities.
- The approval of the updated Responsible Investment Policy, which details the Scheme's stewardship priorities and expectations of service providers.

Case Study: Marathon Petroleum Corporation

In 2022, SSGA initiated an engagement campaign with global companies across the oil and gas value chain focused on understanding efforts to manage methane emissions and related regulatory, reputational, market, financial, and other risks and opportunities. SSGA discussed disclosures and best practices on topics including methane emissions detection, monitoring, measurement, and reporting. Methane emissions management is an ongoing topic of focus in the climate engagements with companies in the Energy sector.

Through multiple engagements with Marathon Petroleum Corporation, discussions were held on several climate topics to better understand their approach to climate-related targets, decarbonisation strategy, and approach to managing potential social risks and opportunities related to this strategy. The company's approach to managing methane emissions was also discussed, and feedback was shared on related disclosures.

Outcome: In the fourth quarter of 2023, SSGA held an engagement to discuss the company's 2023 climate-related disclosure. Marathon Petroleum disclosed additional detail on the company's efforts to reduce methane emissions, such as controlling emissions from reciprocating compressors and converting pneumatic devices. The company reported expected methane emissions reductions from each action through 2030, as well as estimated planned capital expenditures required to achieve these reductions. Furthermore, the company enhanced disclosure on its efforts to develop a more measurement-based methane emissions inventory, as well as common findings from enhanced monitoring within the midstream sector, including higher emissions from methane slip. Based on new data and revised emissions factors, the company plans to update its methane targets in 2024 and continues to evaluate opportunities to reduce methane emissions.

Case Study: Russel Metals Inc.

In 2022, SSGA began taking voting action against directors at companies that fail to provide sufficient disclosure on climate-related risks and opportunities in accordance with the TCFD framework.

They engaged with Russel Metals Inc. ahead of the 2022 annual general meeting (AGM) to discuss the company's climate-related disclosures and shared feedback on opportunities to enhance disclosure in line with expectations. SSGA withheld support from an independent director in 2022 owing to a lack of sufficient disclosure in line with the TCFD framework per the voting policy.

Outcome: In April 2023, the company published its 2022 Sustainability Report, which includes enhanced disclosure on climate-related governance and oversight, as well as on the company's strategy to reduce Scope 1 and 2 greenhouse gas (GHG) emissions within its metals distribution business. Therefore, SSGA supported all board members at the May 2023 AGM given the company's improved TCFD-related disclosure.

The Trustee believes that the boards of the investee companies should regard climate change as they would any other significant risk to the business and ensure that the company's assets and long-term business strategy are resilient to the impacts of climate change.

SSGA has committed to improving climate-related decision-useful disclosure and has encouraged portfolio companies to report in accordance with the recommendations of the TCFD since 2017. In 2023, they voted against 132 company directors for failing to disclose sufficient information.

Integrating climate-related risk into overall risk management

The integration of climate-related risk is an area the Trustee is continuing to develop, as it will need to be an ongoing consideration from both a strategic and financial perspective. To date, the focus has been on understanding the Scheme's exposure to climate risks and exploring ways in which the risks can be mitigated. Building on the work reported above, the Trustee will continue to integrate the following into their investment risk process:

a) Scenario analysis – to help identify strengths and weaknesses in the portfolios under different scenario outcomes.

b) Greenhouse gas emissions levels and their path in the future will be measured and may influence the weightings in indices the Scheme seeks to track as part of its Growth and Income Pools.

The Trustee has included investment climate change risk as a strategic risk for the Scheme. As noted previously, the Trustee accepts that climate change is likely to be the most financially material of the ESG risks and should be considered alongside the other investment risks affecting members' pension savings. This is reflected in the risk score shown in the overall Scheme risk management register. As part of the Scheme's overall risk management process, climate change and the steps being taken to address it are discussed by the Committee at least every 6 months, in addition to any training, paper reviews, and decisions.

The Trustee believes that risk has many dimensions, and it is therefore best to view it through several different lenses. This refers to both ensuring climate-related risk is addressed through a multi-factorial approach as well as integrating climate-related risk into the Scheme's overall risk management alongside other sources of investment risk.

Detail has been provided in the Governance section above on the steps taken by the Trustee to ensure it and its service providers have a good understanding of climate change concepts and the potential impacts of climate change.

Looking ahead - Stewardship

The Scheme's new **Responsible Investment Policy** was published in April 2024. It includes updates to strengthen a number of key areas, including asset manager expectations on climate stewardship and net zero strategy.

The Trustee recognises that stewardship has the potential to create long-term value for clients and beneficiaries. Stewardship priorities underpinned by a robust prioritisation process are essential for maximising effectiveness. With regards to climate, the Trustee recognises the importance of linking its portfolio construction and stewardship approaches. It is imperative to tackle climate-related risk within the portfolio and attain real-world results by means of enhancing company behaviour. The Trustee has outlined targeted stewardship activity, including net zero voting guidelines, to aid in its assessment of its asset managers. If substantial gaps are identified, an appropriate escalation strategy will be implemented. In recognition of the importance of investor collaboration to increase collective influence and efficiencies in company engagement, the Trustee is a supporter of **Climate Action 100+** and in recognition of the role that deforestation plays in GHG emissions: **Nature Action 100** and **PRI's Spring**.

The Trustee also recognises the importance of other investment actors in achieving the net zero ambition. The Trustee is committed to engaging with:

- data and index providers,
- rating agencies and investment consultants to drive better climate change disclosure; and
- policy makers and regulators on driving regulation related to the net zero transition in recognition that neither investors nor companies alone can achieve it.

Memberships to groups such as Principles for Responsible Investment (**PRI**), Institutional Investor Group on Climate Change (**IIGCC**), and the UK Sustainable Investment and Finance Association (**UKSIF**) help the Trustee act in line with this commitment through its forums for investor collaboration on key industry and policy challenges to achieving net zero.

For more information on the stewardship actions taken by the Scheme are detailed in the annual **Implementation Statement**.

Metrics and Targets

This section aims to:

a) Describe the metrics used by the Scheme to assess climate-related risks and opportunities in line with its strategy and risk management process.

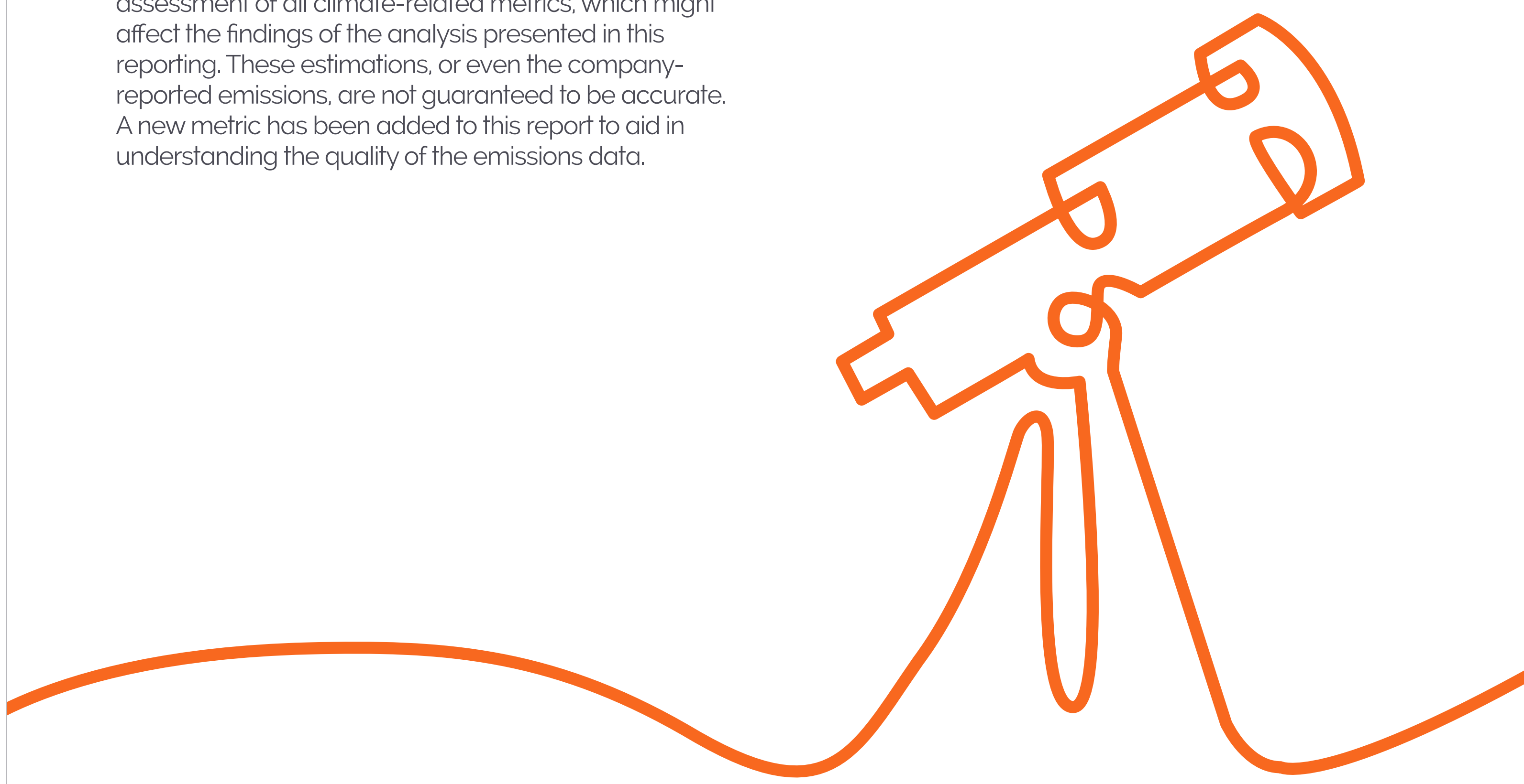
b) Describe Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

c) Describe the targets used by the Scheme to manage climate-related risks and opportunities and performance targets.

Metrics

Many metrics are employed in the study and analysis of climate change to comprehend the possibilities and risks associated with climate change for both the entire portfolio and individual securities. The metrics have been provided based on the Scheme's holdings and company valuations on 31 March 2024.

In situations where a company does not report their emissions, there is a need for the data provider to estimate the levels of emissions for scopes 1, 2, and 3. There are limits to the accuracy of the collection and assessment of all climate-related metrics, which might affect the findings of the analysis presented in this reporting. These estimations, or even the company-reported emissions, are not guaranteed to be accurate. A new metric has been added to this report to aid in understanding the quality of the emissions data.

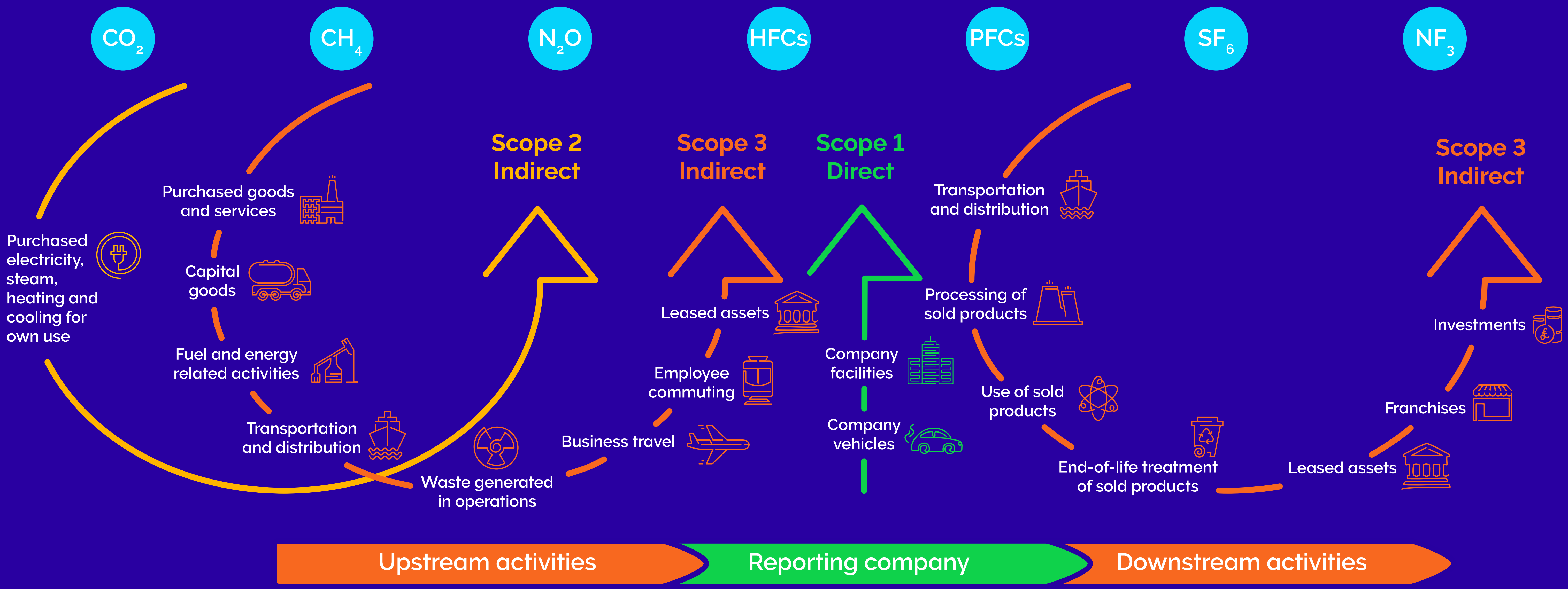


How are greenhouse gas emissions classified?

Greenhouse gases are categorised according to their 'Carbon dioxide equivalence' and their source.

The following graphic illustrates the different ways that a business contributes to overall emissions:

- Scope 1 – direct emissions associated with the production of its goods.
- Scope 2 – indirect emissions associated with the energy needed to produce its goods.
- Scope 3 – indirect emissions associated with the businesses' supply and distribution chains.



As shown in the graphic above from the Greenhouse Gas Protocol, scope 3 emissions are significantly more complicated than scope 1 and 2. Reporting accurate scope 3 emissions requires an understanding of both upstream and downstream supply chains, as well as emissions from products sold. A company's scope 3 emissions are, however, very important to understand because they can be responsible for the majority of the emissions the company is responsible for.

Where available from data providers, scope 3 emissions data has been provided in the following tables. Since it is rare for investee companies to report on Scope 3 emissions, the data provided relies significantly on estimation. Therefore, it should be viewed with caution.

Source: GHG Protocol.

Metrics reported on

Metric Type	Metric	Description and methodology
Absolute emissions	Total carbon emissions (tCO2e)	Allocated emissions to all financiers measured by Enterprise Value including Cash (EVIC*). Measures the total carbon emissions for which an investor is responsible. Emissions are apportioned based on EVIC. Any assets that do not have data (eg, short-term cash assets) are excluded from this calculation. This choice is aligned with the recommendation provided by the Department for Work and Pensions (DWP).
Emissions intensity	Carbon footprint (tCO2e/£M invested)	Allocated emissions to all financiers (EVIC) normalised by £m invested. Measures the carbon emissions for which an investor is responsible per million invested. Emissions are apportioned based on EVIC. Any assets that do not have data (eg, short-term cash assets), are excluded from this calculation. This choice is aligned with the recommendation provided by the DWP.
Emissions intensity (sovereigns)	Carbon intensity (tCO2e/£M GDP)	Measures a portfolio's exposure to carbon-intensive economies, defined as the portfolio weighted average of sovereigns' GHG intensity (emissions/GDP). This choice is aligned with the options for sovereign bonds provided by the DWP.
Portfolio alignment	Binary target measurement (SBTi)	The Science Based Targets initiative (SBTi) drives ambitious climate action by enabling organisations to set science-based emissions reduction targets, which can then be validated by SBTi. The metric is the percentage of companies in the portfolio with SBTi-approved targets as measured by MSCI. This choice is aligned with the recommended options provided by the DWP.
Non-emissions-based metric	Data quality (data coverage)	This measure aims to represent the proportion of the portfolio for which the Trustee has data. Due to the difficulty in obtaining full coverage for the Scheme's assets, this metric shows the percentage coverage given by the climate data provider. Improving climate reporting will remain a key engagement topic to reduce the reliance on estimations going forward. This choice is aligned with the recommended options provided by the DWP.
Non-emissions-based metric	Data quality (reported vs. estimated)	For Scope 1 + 2 data, when reported data is not available, emissions are estimated using MSCI's estimation models. Data is collected from sources such as the Annual Reports, Corporate Social Responsibility Reports, or websites. In addition, they will also use data reported through CDP (formerly the Carbon Disclosure Project) or government databases when reported data is not available through direct corporate disclosure. A company's reporting must be aligned with the Greenhouse Gas Protocol and represent emissions across all its geographies and operations. If this is not the case, MSCI will apply their emissions estimation models. In order to help understand the quality of the data being provided, it is important to understand whether the data is being reported by the company or estimated. MSCI estimates all Scope 3 data used for this analysis, due to the inconsistency and volatility of reported Scope 3 emissions data. This choice is provided in addition to the requirements. However, it is aligned with the recommended options provided by the DWP.

* - EVIC = Enterprise Value including Cash = Company market capitalization + Preferred Stock + Minority Interest + Total Debt.

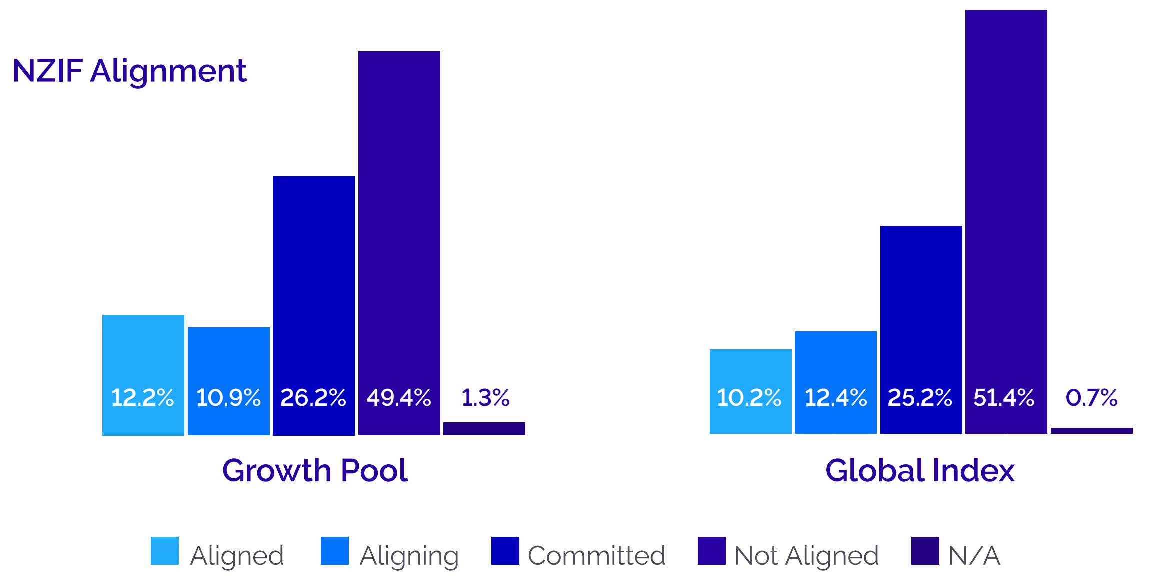
In the sections below relating to the Growth Pool and Income Pool, the data is presented in ranges to illustrate the significant variations between data providers that would be lost through aggregation. Since MSCI is the exclusive source of data for the Scheme's popular arrangements, a range is not provided for these.

Emissions	Total carbon emissions		Carbon footprint				Carbon intensity
	Scope 1 + 2	Scope 3	Scope 1 + 2	Change from 2022/23	Scope 3	Change from 2022/23	Sovereigns
Growth Pool	531,553 – 685,944	3,388,577 – 7,727,960	28.5 – 37.1		181.4 – 418.2		
Income Pool	231,801 – 356,699	1,770,158 – 3,451,796	53.7 – 59.9		422.0 – 892.1		250.7 -298.1
Global Investments (up to 100% shares) Fund	27,131	172,956	28.7	-58%	182.9	-56%	
Global Investments (up to 85% shares) Fund	665,411	4,430,467	31.5	-53%	209.9	-49%	
Global Investments (up to 60% shares) Fund	2,005	13,929	35.1	-46%	243.8	-40%	
Pre-Retirement Fund	152,579	1,214,425	38.1	-36%	303.2	-23%	
Ethical Fund	5,370	40,482.5	47.9		361.1		
Shariah Fund	3,088	35,844	21.5		251.2		

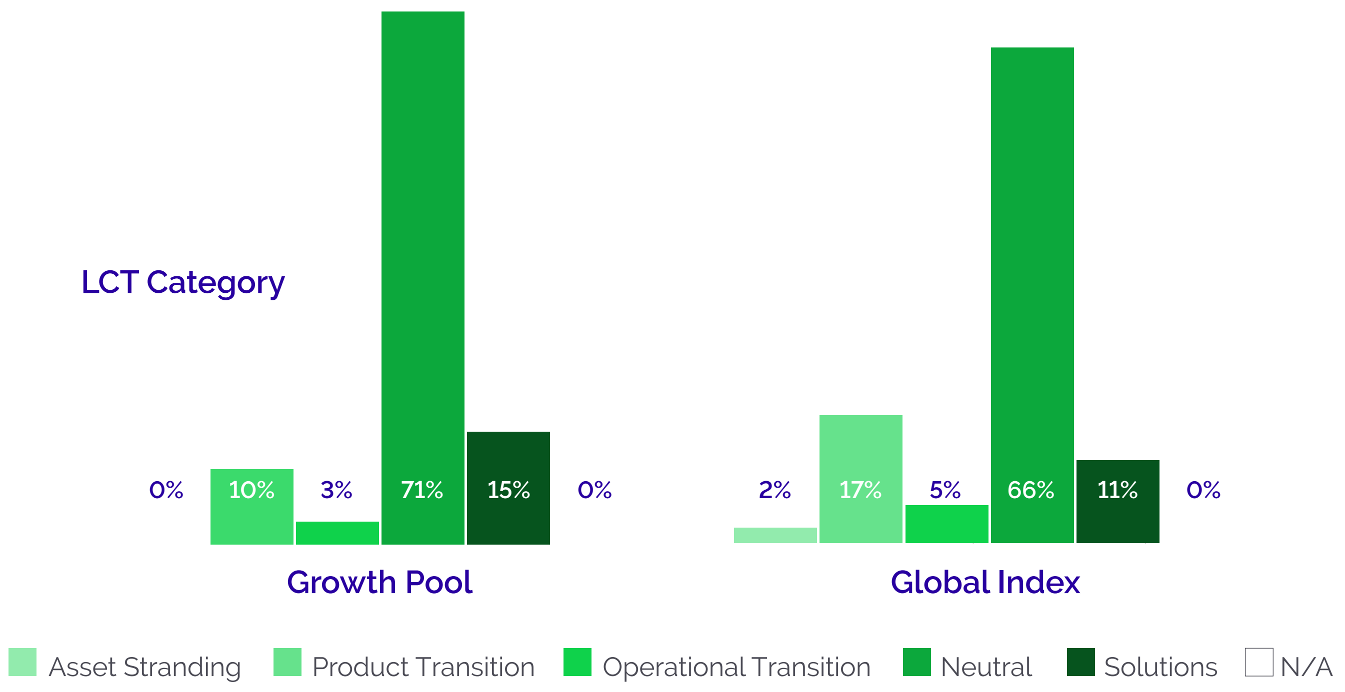
	Binary target measurement	
	Percentage of portfolio with SBTi approved targets	Change from 2022/23
Growth Pool	43.6%	+6.4%
Income Pool	21.6%	+14.8%
Global Investments (up to 100% shares) Fund	43.6%	+6.4%
Global Investments (up to 85% shares) Fund	39.2%	+8.1%
Global Investments (up to 60% shares) Fund	34.9%	+9.9%
Pre-Retirement Fund	22.7%	+8.3%
Ethical Fund	45.9%	
Shariah Fund	54.5%	

Data quality	Data coverage		Source of emissions data (scope 1+2)		
	Scope 1 + 2	Scope 3	Reported	Estimated	No data
Growth Pool	95.6% - 99.9%	99.9% - n/a	97%	3%	0%
Income Pool	68.6% - 85.7%	50.0% - n/a	57%	5%	38%
Global Investments (up to 100% shares) Fund	99.9%	99.9%	97%	3%	0%
Global Investments (up to 85% shares) Fund	97.0%	90.0%	89%	3%	8%
Global Investments (up to 60% shares) Fund	94.1%	80.0%	81%	4%	15%
Pre-Retirement Fund	79.2%	58.2%	62%	4%	34%
Ethical Fund	100.0%	100.0%	94%	6%	0%
Shariah Fund	99.5%	99.5%	98%	1%	1%

Additional analysis



Portfolio Alignment has been assessed using the categories of the Net Zero Investment Framework (NZIF) 1.0 developed by the Paris Aligned Investment Initiative (PAII). MSCI has supplied the data. The alignment categories make up the maturity scale created by NZIF: achieving net zero, aligned, aligning, committed, and not aligned. Companies not rated by the data provider are denoted by N/A in the chart.



MSCI ESG Research's Low Carbon Transition (LCT) Risk assessment is designed to identify potential leaders and laggards by measuring companies' exposure to and management of risks and opportunities related to the low carbon transition. The assessment is derived from company disclosures and estimates. Companies are assessed through involvement in carbon-intensive operations, and involvement in or solutions for carbon-intensive products.

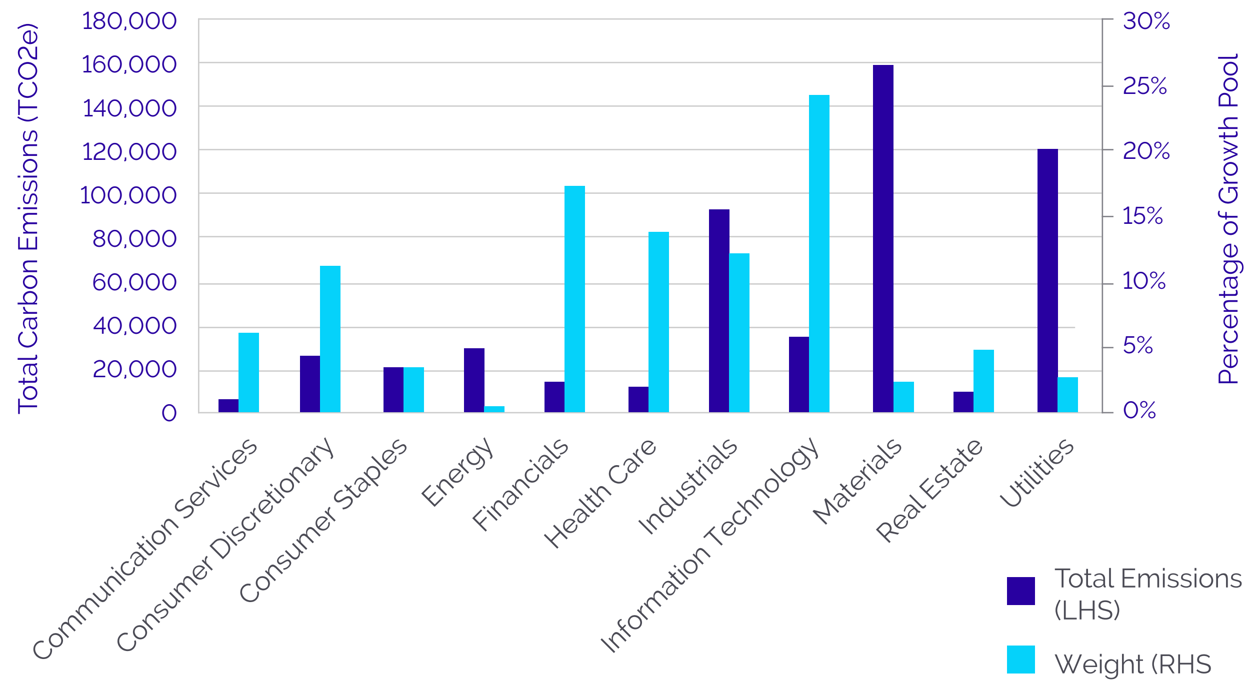
Menu

Top contributors to Growth Pool emissions (Scope 1 + 2)

Rank	Company	Sector	Contribution to Growth Pool emissions	SBTi approved target?
1	Air Liquide	Materials	2.9%	Yes
2	Tata Steel	Materials	2.9%	-
3	Ultratech Cement	Materials	2.1%	Yes
4	Berkshire Hathaway B	Financials	1.9%	-
5	Sasol	Materials	1.9%	-
6	Cemex	Materials	1.9%	Yes
7	Enel	Utilities	1.8%	Yes
8	Iberdrola	Utilities	1.8%	Yes
9	CRH	Materials	1.3%	Yes
10	Reliance Industries	Energy	1.1%	-
11	Southern	Utilities	1.1%	-
12	Grasim Industries	Materials	1.1%	-
13	Saudi Electric Company	Utilities	1.0%	-
14	Jindal Steel and Power	Materials	1.0%	-
15	Amazon	Consumer Discretionary	1.0%	-
16	Ambuja Cement	Materials	1.0%	Yes
17	Duke Energy	Utilities	0.9%	-
18	Hitachi	Industrials	0.9%	Yes
19	Taiwan Semiconductor Manufacturing	Information Technology	0.9%	-
20	Rio Tinto	Materials	0.9%	-
			29.3%	

Sectoral analysis

Total Carbon Emissions (S1+2) by Sector and Weight in Growth Pool by Sector



Sectoral contribution to emissions (Scope 1+2):

	Growth Pool
Communication services	1%
Consumer discretionary	5%
Consumer staples	4%
Energy	6%
Financials	3%
Health Care	2%
Industrials	18%
Information technology	7%
Materials	30%
Real Estate	2%
Utilities	23%

* Table numbers are rounded.

	Percentage of Growth Pool companies with SBTi approved targets
Communication services	50%
Consumer discretionary	33%
Consumer staples	75%
Energy*	0%
Financials	13%
Health care	50%
Industrials	53%
Information technology	52%
Materials	42%
Real estate	63%
Utilities	56%

* - SBTi does not currently accept commitments or validate targets for companies in the oil and gas or fossil fuel sectors.

Commentary on metrics

- The change to the asset allocation of the developed equities for the majority of the portfolio has resulted in significant reductions in carbon intensity.
- Certain sectors are responsible for a large portion of global and portfolio emissions.
- Stewardship is vital to global decarbonisation, and that generally requires ownership in these companies/sectors.
- Companies setting science-based targets could be a driver for real-world change.

A portfolio's carbon footprint can vary from year to year for a variety of reasons, including investee companies reducing emissions, asset allocation changes, methodology changes, and changes in company size (change to EVIC with constant emissions).

In the scheme year ending 31 March 2024, there has been a significant reduction in emissions intensity for the 4 funds that have allocations to the Growth Pool.[11] The primary reason for the reduction was a change in the asset allocation of the developed equities. Further reductions are expected, although not of the same magnitude, in future years as the decarbonisation approach of the climate-aware index funds works as intended and as the strategies of other asset classes shift to be more climate aware.

There are certain sectors that have very high carbon footprints, so, despite making up a reasonably small portion of the portfolio, these are responsible for a large amount of the Scheme's carbon footprint. The exclusions and tilting in the developed equities portion of the portfolio are responsible for most of the emissions reductions detailed in this section, particularly the reduced allocation to the Energy sector. The drop in emissions intensity of the portfolio does potentially reduce the climate risk to the portfolio; however, the Trustee is aware that this does not necessarily mean there has been a real-world impact on global emissions intensity that is required for the economy to stay below 1.5°C of warming.

In order to decarbonise the real world and keep global warming to 1.5°C, stewardship is crucial. It is essential that the high-impact sectors decarbonise, and ownership of these assets allows for engagement. In general, the Trustee does not believe that large-scale exclusions are consistent with its responsible investment objectives, which focus primarily on financial factors. There are certain issues where exclusions are considered appropriate, but overall a robust stewardship programme in order to influence corporate behaviour, alongside a strategy of investing more in companies in that sector that are best placed to transition to net zero, is expected to be more effective than divestment.

Investee companies setting science-based targets and following through with them will be a major driver of real-world decarbonisation. This is why setting short, medium, and long-term science-based targets built around robust methodologies is included within the Scheme's company expectations and net zero voting guidelines (see **Responsible Investment Policy**). The percentage of the portfolio with SBTi-approved targets has improved this year, meaning the portfolio potentially has more exposure to companies that have set appropriate targets needed for real-world change. The Trustee will continue to monitor the percentage of companies with approved science-based targets by fund and by sector in order to understand the progress being made. These are a forward-looking assessment of company proposed targets and are included within the Scheme's company expectations and net zero voting guidelines.

There has been vast improvement in data quality since the Scheme's first analysis conducted as part of the reporting for the 2021/22 scheme year. Growth Pool assets/equities are now close to 100%, which has resulted in comfort in making climate-related investment decisions. More work is required for the Income Pool assets/fixed income, but the recent improvement is encouraging.

This report has seen the introduction of additional analysis in order to increase the transparency of the Scheme's assessment of climate-related risks and opportunities. The intention is to develop this annual reporting beyond the requirements of the regulations and to provide more detail on how the Trustee is seeking to manage the risks and access the opportunities associated with climate change.

It is important to note that decarbonisation is not likely to be a straight line down. There will be year-on-year fluctuations, and this is to be expected. One point to note is that emissions may even increase in some years due to necessary steps, including the shift from estimated emissions to company-reported emissions or improved coverage of assets.

Due to the challenges of collecting and assessing the data of fixed income assets, analysis provided for funds that have large allocations to the Income Pool are likely less reliable due to poorer data coverage.

The emissions of sovereign entities can be calculated in many different ways, which are not necessarily comparable to corporate fixed income assets (as shown by the need for an additional sovereign-specific intensity metric). The engagement with service and data providers will include discussion on how to improve all aspects of data quality, not just better coverage through estimation models.

Timing of the data

The Trustee relies on data providers to collect and/or estimate emissions data for the portfolio holdings. Data providers collect emissions data from corporate sources such as the Annual Reports, Corporate Social Responsibility Reports, or websites. In addition, they will also use data reported through CDP (formerly the Carbon Disclosure Project) or government databases when reported data is not available through direct corporate disclosure. When companies do not disclose data at all or the disclosed data is not satisfactory, estimation methodologies are used based on other information reported by the company, eg, fuel mix, estimations based on previous carbon reporting, or industry-specific information.

There are a number of lags in the process, as companies need to calculate their emissions and prepare their reporting, and data needs to be collected or estimated by the data provider before it can be analysed as part of the TCFD process. MSCI updates their emissions data throughout the year following publication of companies' annual filings on a rolling schedule, within four months for the majority of companies.

The Trustee has used the most recent data available from the Scheme's data providers. This does, however, mean that emissions data is a potentially inaccurate reflection of the scheme year of this reporting. The Trustee has followed the DWP guidance on this issue and obtained the most recently available data. Analysis suggests that approximately 95% of the emissions data is from 2022.

11 Global Investments (up to 100% shares) Fund, Global Investments (up to 85% shares) Fund, Global Investments (up to 60% shares) Fund and the Pre-Retirement Fund.

Targets

The Scheme's climate change policy is aligned with the scientific consensus of keeping warming below 1.5˚C compared to pre-industrial levels. The Scheme has taken a big step within the reporting period to achieve this goal with the introduction of climate-aware index funds for the developed equity of the Growth Pool. This asset allocation change means that approximately 60% of the Scheme's assets on 31 March 2024, were invested in the strategy designed to decarbonise in line with a 1.5˚C trajectory. The management of climate-related risks and opportunities in the portfolio's remaining assets is a work in progress.

The Trustee takes setting a target seriously and believes that before publicly stating an emissions-based target, there needs to be a plan in place to meet that target, and there needs to be a high level of trust in the data being used. Setting a target with incomplete data poses the risk of having either an unachievable or not ambitious enough target once data coverage has improved. Data quality for equities is now at a level where the Trustee is comfortable making asset allocation decisions and setting an associated emissions-based target.

In order to achieve alignment with the 1.5˚C goal, within the scheme year, the Trustee has set a target[12] of:

- Net zero greenhouse gas (GHG) emissions by 2050.

In addition to this long-term goal, the Trustee has also set the following shorter-term emissions-based targets:

- Halving its GHG emission intensity by 2030 for the Scheme's growth assets.
- 30% GHG emission intensity reduction by 2025 for the developed equity portion of the portfolio.

The Scheme is on track to achieve these short and medium-term targets ahead of schedule due to the significant work conducted throughout the scheme year to introduce a climate-aware strategy to the developed equity portion of the portfolio. The short- and medium-term targets are more focused on portfolio decarbonisation in order to manage climate-related risks and opportunities. The long-term target is also a portfolio target, but there is an acknowledgement that in order to achieve this, considerable real-world decarbonisation is needed in order to construct a well-diversified global net zero portfolio.

The Scheme's previous target was to achieve a level of 95% coverage of all equity and fixed income assets within the next 3-5 years from the initial reporting period (2022). This has been achieved for equity, but there is still work to be done for fixed income. The emission intensity targets outlined in this section are primarily focused on equity because of the higher level of trust in the data. The Trustee has decided to retain this target for fixed income; therefore, the Scheme also has a target[12] of:

- 95% coverage of all fixed-income assets within 3-5 years of the initial reporting period (2022).

The Scheme's TCFD reporting will be the primary format for setting public targets; however, there may be occasions where targets are launched in other documents. All targets set for the Scheme's portfolio will be kept under review and will be assessed at least annually.

The Trustee intends to follow their strategic framework on climate to help meet the targets that have been set. The key climate stewardship area of focus is improving data quality and company disclosures within company transition plans and TCFD disclosures. This also involves engaging with asset managers and data providers to ensure they are improving in this area in a way that enhances the Trustee's ability to use this data for portfolio construction decisions. As data improves, there will be more comfort in using climate data within the investment decision-making process.

The Trustee also intends to use membership with collaborative investor groups such as the Principles for Responsible Investment (PRI) and the Institutional Investor Group on Climate Change (IIGCC), and the UK Sustainable Investment and Finance Association (UKSIF) to leverage investor demand to improve company reporting, as well as push service and data providers to improve their offerings.

Having data quality targets for fixed income may prove difficult to achieve, in part due to the many different types of fixed income securities. The Trustee also acknowledges that there are potentially more complex asset classes that the Scheme may decide to invest in that may have poor climate disclosure (eg, illiquid assets).

In the event that the target cannot be met for any asset class that the Scheme invests in, further work will be conducted to understand the reason for the difficulty in obtaining the data and engage with the relevant parties on any obstacles. This fixed-income coverage target should be viewed as a temporary solution to be reviewed at each reporting period so that, when it is judged acceptable, an emissions-based target may be established.

12 Assessed against a 2023 baseline. Targets are measured against Scope 1+2+3.

Menu

For more information:

T. 0330 333 4593

E. info@thepeoplespension.co.uk

thepeoplespension.co.uk

The People's Pension Trustee Limited
Manor Royal, Crawley, West Sussex, RH10 9QP. Tel 0300 2000 555. www.peoplespartnership.co.uk

XX TPP 2131 0824