Atos UK 2019 Pension Scheme

# Taskforce on Climate-related Finance Disclosures (TCFD) Statement – Year Ended 31 December 2024

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# A summary of the report for members

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

**Why does climate change presents risks and opportunities to pension schemes?**

The world's climate is already on average about 1.5°C warmer today than in the pre-industrial era. This temperature rise is having disruptive effects and it is projected to have substantial impacts on the environment and human populations if no action is taken. The risk of failure to address climate change is also considered to be a significant threat to the stability of the global economy and, as a result, to investors such as pension schemes.

In 2015, an international treaty on climate change known as the Paris Agreement was signed by 196 countries. The long-term goal of the Agreement is to limit temperature increases to well below 2°C – ideally below 1.5°C. It is widely accepted that doing so will limit damage to ecosystems and health and wellbeing. To achieve this, the global economy will need to undergo a complete transformation to drastically reduce emissions.

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

1. Transition risk: This transformation is expected to create risks and opportunities for companies, and therefore for investors who finance them. The risk is that the Scheme's ability to pay member's benefits is negatively affected by policy actions relating to the transition to a lower-carbon economy.
2. Physical risk: In addition, the physical impacts of climate change are also anticipated to create material investment risks and opportunities. The risk is that extreme weather scenarios, supply chain disruption and other physical effects of climate change affect the Scheme's ability to pay member's benefits.

It is now widely believed that such factors should be considered by investors in their decision-making and the Trustee considers how these risks might affect the Scheme's assets, liabilities (i.e. member benefits due to be paid), and employer (in the context of being able to support the Scheme).

**How does the Trustee assess climate-related risks and opportunities?**

The Trustee measures and monitors four climate-related metrics: 1) total absolute greenhouse gas emissions of the Scheme's assets; 2) the Scheme's carbon footprint, i.e. the total greenhouse gas emissions for the portfolio per million pounds invested; 3) data quality and 4) the proportion of companies the Scheme invests in which have a verified science-based target for reducing their carbon emissions.

The Trustee also undertakes analysis to attempt to quantify the risk to the Scheme under different scenarios for climate change, as required by regulation. However, the are several limitations to this analysis at present and the output is not viewed as decision-useful for the Trustee at this stage.

**How does the Trustee manage these climate-related risks and opportunities?**

The Trustee Board is responsible for the oversight of climate-related risks and opportunities but has set up an Investment and Funding Committee ("IFC") and an Administration and Governance Committee ("AGC") which are delegated relevant responsibilities. The IFC is advised by a range of

specialist advisors and the Trustee and the IFC undertake regular training around climate topics and how climate change may affect the Scheme.

The Trustee employs two approaches to managing these risks and opportunities: allocating capital to investments that support these objectives (or avoiding allocating to those which don't) and engaging with its asset managers. The former was the focus over 2024, as shown in the case study below.

**What is a case study of this in practice over 2024?**

Over 2024, the Trustee worked with its investment consultant and one of its investment managers to design a new investment mandate for part of the Scheme's asset portfolio. The key aim of this was to enhance the management of climate risks in the portfolio without adversely affecting wider investment characteristics. It was agreed the investment manager could not invest in companies with certain levels of revenue generated from activities relating to areas such as thermal coal, oil sands and shale oil and gas, and would avoid lending to banks which were not taking steps to reduce their financing of fossil fuel expansion. This mandate was implemented in early 2025.

**What is the Trustee's climate-related target for the Scheme?**

In 2020, the Trustee chose to set an aspirational target of achieving net-zero carbon emissions within the portfolio by 2035, with an aim to reduce the carbon footprint of the Defined Benefit (DB) Section's return-seeking assets by 33% from the 2019 level by 2025.

Simply comparing the 2019 baseline carbon footprint to measurements since then, the Scheme has made good progress towards the target and is close to meeting it as at 31 December 2024. However, the appropriateness of this target, as well as the broader ambition to achieve net zero financed emissions by 2035, is currently under review. This is due to evolving best practice methodologies, which make the baseline and current carbon footprint measurements non-comparable, and because the original targets assumed a reasonably paced low-carbon transition where the most ambitious goals of the Paris Agreement would be achievable. Given that the latest scientific research suggests that achieving these goals is unlikely, the Trustee recognises that the targets will likely need to be recalibrated.

The Trustee intends to assess the appropriateness of the Scheme's climate targets once there is more clarity on the Scheme's long-term investment strategy, which is currently under review. The Trustee remains supportive of the transition to net zero, believing that this is in the best long-term interests of members.

**Closing remarks**

Whilst the Trustee took some direct actions over the year to develop its identification, assessment and management of climate-related risks and opportunities, the Trustee recognises this is an area which requires regular attention. Several climate-related items remain on the Trustee's agenda (e.g. target setting, refreshed climate scenario analysis, engagement with investment managers).

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

# Introduction to main report

This report has been produced by the Trustee of the Atos UK 2019 Pension Scheme (the "Trustee") and their advisors under the requirements of the Occupational Pension Schemes (Climate Change Governance and Reporting) regulations 2021. As part of these regulations, the Scheme is legally required to produce formal disclosures in line with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD"). This report covers both the Defined Benefit ("DB") and Defined Contribution ("DC") sections of the Scheme and covers the period from 1st January 2024 to 31st December 2024. This is the Scheme's third annual report explaining how the Scheme identifies, assesses and manages climate-related risks and opportunities.

As at 31 December 2024, the DB section had a total asset value of around £1,200m. Roughly 40% of assets are used to match the movements in liabilities in response to changes in interest rate and inflation through a liability driven investment ("LDI") portfolio. Another c.45% of assets are invested across liquid credit strategies, with the remaining c.15% across illiquid credit and renewable infrastructure.

For the DC section, the total asset value as at 31 December 2024 was around £2m. This value decreased significantly since last year as the majority of DC assets were transferred in bulk to a separate Master Trust arrangement at the end of 2024. Analysis focuses on the Scheme's popular DC arrangements, defined as any investment fund greater than £100m in value (which does not apply) or greater than 10% of total DC assets. These are the BlackRock 60/40 Global Equity Index Fund, BlackRock 70/30 Global Growth Fund, and the BlackRock Pre-Retirement Fund.

All DB sections have been grouped as one in this report, as the sections are benefit categories only, with the investments dealt with on a consolidated basis.

Given the relative sizes of the two Sections (DB being much larger than DC), the identification, assessment and management of climate-related risks and opportunities is more developed for the DB Section than the DC Section. This is reflected in this report.

# 1. Governance

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

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

The Trustee sets aside time to discuss climate risk throughout the year, as part of the meeting cycle. The time set aside is viewed as proportionate to other responsibilities the Trustee has to perform. The time and resource spent on climate-related matters changes depending on factors such as regulatory requirements, market developments and advice/suggestions from advisors.

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

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

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

Some climate change risk-related agenda items include engagement with one or more of the Scheme's investment managers. The case study below demonstrates an instance of how the Trustee engaged with its investment consultant and its existing LDI manager, Schroders, to construct a new buy and maintain mandate which incorporates enhanced environmental, social and governance ("ESG") guidelines.

## Case study: Developing a a new credit mandate

In late 2023, the IFC's investment consultant recommended changes to the Scheme's liquid credit manager line-up for a range of investment-related reasons. As part of this process, the IFC agreed to allocate capital to a new buy and maintain segregated credit mandate, managed by the Scheme's LDI manager, to strengthen the robustness and efficiency of the Scheme's collateral management. The design of this mandate occurred over 2024 and demonstrated the Trustee's governance processes for managing climate risks.

Consistent with its stewardship policy and commitment to achieving more sustainable outcomes, the IFC ensured that climate and broader ESG considerations were embedded into the mandate design from the outset. The investment consultant worked closely with the investment manager, drawing on the manager's research and analytics to design a solution.

The investment consultant then supported the IFC in reviewing and assessing the proposal, which included presentations and discussions with the manager. Following further refinements to the ESG guidelines, the IFC agreed to investment consultant's recommendation to approve the manager's proposal. The investment consultant then worked with the investment manager to progress implementation, with the IFC approving actions as required. Implementation occurred in early 2025.

Ongoing monitoring of the manager's performance is carried out by the investment consultant and reported to the IFC.

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

As part of monitoring the steps its advisors take to identify, assess and manage climate-related risks and opportunities, the IFC probe the processes and methodologies used in forming their advice. In line with challenges facing the wider industry, the IFC also continues to challenge the investment consultant on overcoming the limitations associated with these methodologies.

# 2. Strategy

The Trustee recognises that it has a fiduciary duty to incorporate climate change and broader sustainability issues into its investment decision-making to act in the best financial interest of members. As set out in the SIP, as at 31 December 2024, the Trustee's long-term financial objective is to be fully funded on a low-risk basis by 2034. A central part of the strategy to achieve this objective involves assessing risk and putting in place appropriate mitigation. The Trustee believes that climate change is one major systemic investment risk that needs to be addressed in proportion to the other risks facing the Scheme. The Trustee continues to believe in the paramount importance of the transition to a low-carbon economy, especially as it believes this would be in the best interest for members. As such, the Trustee will continue to consider investment opportunities which contribute to the low-carbon transition as appropriate. However, as rising global temperatures increase the likelihood of physical risks relating to climate change, the Trustee will further consider the Scheme's resilience to these risks.

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

- The Trustee's climate impact objective is to remove emissions from the real economy through investment in climate solutions, and by delivering change in invested asset emissions through active stewardship and otherwise. The Trustee has aimed to do this via investments in two separate funds which invest in renewable infrastructure investments. Although the Scheme is one of several investors in each fund, Stonepeak reported avoided emissions of 3,846,679 $tCO_2e$ since the fund's inception in 2019, while Mirova reported avoided emissions of 2,757,877 $tCO_2eq$ over 2024. The Trustee therefore believes that the allocations to each of these funds has enabled the Scheme to make progress against the impact objective.
- The Trustee, with the aid of its advisors, will continue to assess opportunities that both improve or maintain the attractiveness of the portfolio's risk & return profile and align with the Trustee's broader impact objectives

The Trustee views climate change risk as typically arising in one of two forms: physical risk and transition risk.

In line with the Scheme's Sustainable Investment Policy, the Trustee focuses on three primary areas when considering climate change within decision-making processes: emissions reduction objectives, impact objectives (as defined earlier) and climate risk monitoring. Over 2024, the vast majority of DC members and assets were transferred to a separate master trust arrangement and only very few DC members remain. As such, this section of the report has more focus on DB than DC.

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

| Time Horizon | Date | Why was this date selected? | Example risks and opportunities |
|---|---|---|---|
| **Short term** | 2025 | This very short-term focus allows the Trustee to consider the transition risks that the Scheme is exposed to.<br>This date is unchanged from last year's report. However, now that 2025 has been reached and the valuation process is due to begin in 2026, the Trustee will review and update this time horizon. | Shorter-term climate risk is likely to manifest in a form of transition risk. This may include stock price movements resulting from increased regulation directed at addressing climate change (i.e. mostly transition risk).<br>Shorter-term transition risk is likely to be most applicable to corporate credit assets given the Scheme's investment in these assets is mainly in issuers from developed markets where climate-related policy and societal behavioural changes are expected to occur more quickly and on a wider scale. |
| **Medium term** | 2035 | 2035 broadly aligns with when the Scheme is expected to become significantly mature and reach its peak in terms of cashflows paid out of the Scheme. As such, this is an important date in the Scheme's journey.<br>Additionally, The Trustee has set a target of having net-zero carbon emissions in the portfolio by 2035 (see below for further details). | The main type of climate risk to consider in the medium-term is also likely to be transition risk, as larger scale re-pricing is likely to occur over this time period, however physical risk might also impact Scheme assets and liabilities in the medium-term.<br>The increasing frequency and severity of extreme weather events means physical risk is expected to be more prevalent than in the short-term. This is likely to have more of an impact on the Scheme's investments in real assets, such as its renewable infrastructure investments. |
| **Long term** | 2050 | It is noted that a target of net-zero emissions by 2035 would be challenging, because the goal of the Paris Agreement is that the global economy reaches this position by 2050. This aligns with the Trustee's measurement of portfolio | The Trustee expects a mix of physical risk and transition risk to manifest in the longer-term, with an increasing intensity in physical risk. This may include transition risk due to the global economy's transition to a decarbonised economy. From a |

| | | | |
|---|---|---|---|
| | | alignment with the Paris Agreement (i.e. Metric 4, see Section 4 for more detail).<br><br>This time horizon is also set to reflect the long-term time period over which pensions are expected to be paid out in the DB section.<br><br>This longer-term focus helps the Trustee to understand the risks that the physical changes associated with climate change might have on the Scheme's investment strategy and funding strategy. | physical risk perspective, this may include physical damage to real assets as a result of rising sea levels for coastal property or infrastructure assets; there may be opportunities for outperformance for organisations that put in place strategies to mitigate these potential risks well in advance of them materialising.<br><br>These risks are likely to have more of an impact on the Scheme's real assets, such as its investments in renewable infrastructure. |

The Trustee also strives to capture opportunities over each time horizon that will contribute to limiting the adverse impacts of climate change, including technology opportunities, while also contributing to enhanced member outcomes. The agreements in place with its investment consultant and investment managers require ongoing assessment of the impact of climate-related risks and opportunities across the above time horizons. Over the year, the Trustee's investment consultant reviewed the duration and maturity profile of the DB Section's credit strategies, with shorter duration credit preferred due to reduced exposure to longer-term climate risks. Following the review, the investment consultant was comfortable that the Scheme's credit portfolios were already relatively short duration and did not require changes from a climate risk perspective.

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

As part of considering climate-related risks and opportunities and their potential implications for the Scheme, the Trustee, supported by its advisors, performs scenario analysis. For the DB Section, this incorporates the total assets, liabilities and sponsor covenant. For the DC Section, the Scheme's popular arrangements are considered, defined as any investment fund greater than £100m in value or greater than 10% of total DC assets. This captures the BlackRock 60/40 Global Equity Index Fund, BlackRock 70/30 Global Growth Fund, and the BlackRock Pre-Retirement Fund.

The Trustee, supported by its investment consultant, carried out climate scenario analysis for the DB Section and DC Section as at 31 December 2022. For the DB Section, both the investment and funding strategies were considered, with quantitative analysis on assets and liabilities alongside qualitative consideration of the sponsor covenant. The results of this analysis are included in Appendix D with key commentary outlined below. Given the Trustee's view that this scenario analysis is of limited use in its decision-making process (see below for more detail), it has not repeated the analysis over 2024. However, the asset only stress for the 2°C Orderly Transition, 2°C Disorderly Transition and Hot House World scenario continue to be included in quarterly reporting provided by the investment consultant.

The Trustee undertakes scenario analysis consistent with the Network for Greening Financial System ("NGFS") scenarios, considering a range of different climate scenarios.

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

To date, the Trustee does not consider that the scenario analysis has materially influenced its decision-making process in respect of either the investment strategy or funding strategy of the DB Section, or the investment strategy of the DC Section. The Trustee acknowledges the growing scrutiny of current climate scenario analysis models, building on concerns identified in previous years' report that the current climate scenario analysis in the market is based on assumptions which do not accurately reflect the real world. Recent scrutiny has revealed that current methodologies do not accurately reflect the threat climate change poses to the planet and society, such as overlooking climate tipping points and underestimating the likely implied temperature rise and physical impacts of climate change. Consequently, the analysis currently has limited reliability and usefulness as a decision-making tool. However, based on the 2022 climate scenarios modelled and in the context of the Scheme's wider investment risk, the Scheme's DB and DC investment strategy appeared to be resilient to the various climate change outcomes, noting the limitations outlined above.

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

# 3. Risk Management

**Identifying and assessing climate-related risks**

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

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

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

**Managing climate-related risks**

The Trustee believes that engagement with its investment managers is one of the main ways in which the Trustee is able to manage climate-related risks and opportunities. The Trustee has formalised a Stewardship Policy, which is included within the Scheme's SIP. In line with the Trustee's commitment to integrating ESG issues into stewardship practices, the Trustee will act in accordance with the Stewardship Policy and, where relevant, expects its investment managers to actively engage with investee companies to better manage climate-related risks. The Trustee is supported in this engagement by its investment consultant, who regularly conducts due diligence on the Scheme's managers and monitors their progress on ESG issues. As part of this, the investment consultant in the normal course of their work overseeing managers and challenging their delivery of sustainability and stewardship held active dialogue with a number of our managers. This work informs their manager recommendations to us and other clients.

In addition to the above, the Trustee, through its investment consultant, engaged with its LDI manager to incorporate enhanced ESG guidelines into the design of a new segregated buy and maintain mandate, first discussed in the Governance section of this report, to manage climate risks. More detail on this is provided below.

## Case study: Climate risk considerations in the design of new buy and maintain mandate

In the design of the new buy and maintain mandate, the investment manager initially proposed its standard ESG approach. Supported by its investment consultant, the Trustee challenged the manager to go further.

This involved including additional guidelines such as climate-related exclusions, a framework to avoid lending to banks which are material financers of fossil fuel expansion and not reducing this financing, as well as a minimum standard 'sustainabilty score' based on the manager's proprietary model for estimating the positive and negative 'externalities' that companies may create for society or the environment.

These enhancements were designed to limit the portfolio's exposure to stranded asset risks without compromising key financial characteristics such as spread, credit quality, and issuer diversification, keeping them broadly in line with what would be expected from the credit mandate without the enhanced climate-related constraints.

Overall, the Trustee was able to incorporate enhanced ESG guidelines whilst maintaining strong overall return and risk characteristics of the mandate. The IFC, supported by its investment consultant and the investment manager, will continue to review these guidelines to consider whether any changes may be suitable as the global climate transition progresses.

**Integration of climate-related risks in overall risk management**

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

For the DC Section, over the year the Trustee worked with the Company to transfer the majority of DC members and assets to a separate Master Trust arrangement. One of the factors that was considered as part of this was the Master Trust provider's ability to demonstrate an effective approach to monitoring and managing climate-related risks.

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

# 4. Metrics and Targets

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

| Metric | Selected Metric | Explanation |
|---|---|---|
| **Metric 1 – *absolute emissions metric*** | Total Absolute GHG Emissions (tCO2e). | This is the absolute emissions metric recommended by the DWP. |
| **Metric 2 – *emissions intensity metric*** | Carbon Footprint (tCO2e/EVIC £m). | This is the emissions intensity metric recommended by the DWP. |
| **Metric 3 – *additional climate change metric*** | Partnership for Carbon Accounting Financials ("PCAF") Data Quality Breakdown | This metric provides insight into the reliability of the Scheme's emissions data, allowing the Trustee to make better informed decisions. The scoring system ranges from one to five, with one representing the highest data quality and five indicating the lowest quality. |
| **Metric 4 – *portfolio alignment metric*** | Science-based target initiative ("SBTi") | This metric examines whether a voluntarily disclosed company decarbonisation target is aligned with a relevant science-based pathway to align with the goals of the Paris Agreement. The target is verified by the Science-based target initiative. |

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

Over the year, the Trustee reviewed its selection of metrics to ensure they remain appropriate for the Scheme. The Trustee decided to update its third metric from the impact on the funding level of the NGFS 2ºC Disorderly Transition Stress Test to monitoring the Scheme's data quality through the PCAF Data Quality Breakdown score. This change was partly driven by the significant limitations of scenario analysis, as outlined in the strategy section. Additionally, monitoring data quality provides insight into the reliability of the underlying climate data and therefore provides useful context for interpreting the emissions-based metrics. The Trustee has also concluded in previous TCFD reports that carbon emissions data coverage across the portfolio is relatively low, and the Trustee stated an aim to improve both coverage and quality over time, an objective which this new metric directly supports as better data over time should allow the Trustee to make better informed decisions.

Additionally, the Trustee has chosen to begin reporting both the total emissions and emissions intensity of the Scheme's sovereign bond holdings (i.e., the Scheme's LDI portfolio). This reflects the growing industry consensus around a methodology for calculating sovereign emissions, with the Trustee disclosing the sovereign emissions in line with the Department of Work and Pensions guidance, calculated using a methodology based on guidance from PCAF. Given the relative size of the Scheme's government bond holdings, this marks a meaningful increase in the coverage of portfolio emissions. Given the difference in methodology between sovereign emissions reporting

and reporting for the Scheme's other assets (i.e., corporate emissions), the two are reported separately.

The Trustee also acknowledges recent concerns on the viability of the SBTi metric (i.e. Metric 4) as targets are based on voluntary targets set by corporates. In order for these to be achieved and the corporates to remain profitable, the policy environment will likely have to change**.** There is a risk without this that the metric becomes redundant as voluntary action can only go so far.

Despite the limitation outlined above, the Trustee is comfortable that the selected metrics remain suitable. The Trustee will continue to periodically review its selection of metrics to ensure they remain appropriate for the Scheme.

**Target**

In 2020, the Trustee set a target for the non-LDI assets of the DB Section of the Scheme to achieve a 33% reduction in carbon footprint from 30 September 2019 levels by 2025. This target was based on aggregated scope 1, 2 and 3 emissions (as measured by Metric 2 – Emissions Intensity Metric). As part of the aggregation, a 0.22 deduplication multiplier was applied to the Scheme's total scope 3 emissions to overcome double counting, per MSCI's methodology at the time. LDI assets were excluded from this target as they are held for hedging purposes.

The Trustee has made good progress towards the target and, as at 31 December 2024, the carbon footprint reduction of the portfolio from the 2019 baseline level was 28%. However, the appropriateness of this target is currently under review. The key reason for this is that the 2019 baseline carbon footprint was calculated using asset class assumptions, whereas a large proportion of the emissions data for the Scheme is now based on company-reported figures given improved MSCI carbon emissions data availability. As such, the baseline carbon footprint and current carbon footprint are therefore not directly comparable. Additionally, it is appropriate that scope 3 emissions are measured and monitored separately from scope 1 & 2 emissions, per DWP guidance. The Trustee recognises the complications of applying a de-duplication factor to scope 3 emissions and aggregating with scope 1 & 2 emissions and is reviewing this approach to target-setting. As such scope 1 & 2 emissions are reported separately to scope 3 in the sections below.

This 2025 target was set in the context of the broader ambition to achieve net-zero financed emissions by 2035, in line with the sponsor company's ambition at the time it was set. This ambition was grounded in the Scheme's objective of having a positive impact as part of the transition to a more sustainable, low carbon economy. The Trustee acknowledges that both the interim target and 2035 net-zero ambition were originally set on the assumption that the low-carbon transition would occur at a reasonable pace, and the most ambitious goals of the Paris Agreement would remain achievable. Given that the latest scientific research suggests that the most ambitious goals of the Paris Agreement are unlikely to be achievable, and the fact that the Trustee is bounded by its fiduciary duty and the prevailing policy environment, the Trustee recognises that these will likely need to be recalibrated.

The Trustee intends to assess the appropriateness of the Scheme's climate targets once there is more clarity on the Scheme's long-term objectives and resultant investment strategy, which are both currently under review. The Trustee remains supportive of the transition to net zero, believing that this is in the best long-term interests of members.

**DB Section results:**

The below tables set out the results of each of the Trustee's chosen metrics, broken down by broad asset class. The results are shown as at both 31 December 2024 and 31 December 2023:

| | Asset Allocation | | Metric 1: Absolute Carbon Emissions (tCO2e)[1] | | | | Metric 2: Carbon Footprint (tCO2e/ £m)[1] | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | | 2023 | | 2024 | | 2023 | |
| | | | Scopes 1 & 2 | Scope 3 | Scopes 1 & 2 | Scope 3 | Scopes 1 & 2 | Scope 3 | Scopes 1 & 2 | Scope 3 |
| **Liquid Markets** | 0%[2] | 7% | 1 | 51 | 3,045 | 27,719 | 13 | 457 | 33 | 300 |
| **Liquid Credit** | 46% | 38% | 28,326 | 186,793 | 27,225 | 126,333 | 53 | 352 | 54 | 250 |
| **Illiquid Credit** | 8% | 9% | 17,552 | 94,500 | 20,512 | 96,696 | 187 | 1,006 | 167 | 787 |
| **Illiquid Markets** | 6% | 8% | 375 | 6,538 | 445 | 4,945 | 6 | 97 | 4 | 48 |
| **LDI** [3] | 39% | 38% | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| **Total**[4] | **100%** | **100%** | **46,254** | **287,882** | **51,227** | **255,693** | **67** | **416** | **62** | **311** |

| | Asset Allocation | | Metric 1: Carbon Emissions (tCO2e) | | | | Metric 2: Carbon Intensity (tCO2e/ PPP-adjusted GDP £m) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | | 2023 | | 2024 | | 2023 | |
| | | | Produ-ction | Import | Produ-ction | Import | Produ-ction | Import | Produ-ction | Import |
| **LDI (Sovereign emissions)** [5] | 39% | 38% | 94,102 | 66,213 | N/A | N/A | 124 | 87 | N/A | N/A |
| **Total** | **N/A** | **N/A** | **94,102** | **66,213** | **N/A** | **N/A** | **124** | **87** | **N/A** | **N/A** |

[1] Carbon metrics (Metrics 1 and 2) are proxied using asset class proxies where there is insufficient data for funds.
[2] As at 31 December 2024, the allocation to liquid markets was only c.£100k and therefore rounded to 0%.
[3] The MSCI data used for the other asset classes does not provide carbon emissions data for sovereign debt, which means LDI cannot be included using this data. The Scheme's LDI emissions have been reported separately.
[4] Figures may not sum due to rounding.
[5] 'Production' emissions are equivalent to Scope 1 emissions, and 'Import' emissions are equivalent to scopes 2 and 3 emissions.


| PCAF Score | Grade 1 | Grade 2 | Grade 3 | Grade 4 | Grade 5 |
|---|---|---|---|---|---|
| **Data Criteria** | **Verified by third party auditor** | **Unverified or estimated from energy consumption** | **Estimated from company production** | **Estimated from company revenue and sector** | **Other estimated** |

| Metric 3: PCAF Data Quality (Scope 1 & 2 emissions) | | | | | |
|---|---|---|---|---|---|
| **Asset Class** | **Grade 1** | **Grade 2** | **Grade 3** | **Grade 4** | **Grade 5** |
| **Liquid Markets** | 0% | 97% | 0% | 0% | 2% |
| **Liquid Credit** | 0% | 68% | 0% | 2% | 30% |
| **Illiquid Credit** | 0% | 0% | 0% | 0% | 100% |
| **Illiquid Markets** | 0% | 0% | 0% | 0% | 100% |
| **Total[6]** | **0%** | **52%** | **0%** | **2%** | **46%** |

| Metric 3: PCAF Data Quality (Scope 3 emissions) | | | | | |
|---|---|---|---|---|---|
| **Asset Class** | **Grade 1** | **Grade 2** | **Grade 3** | **Grade 4** | **Grade 5** |
| **Liquid Markets** | 0% | 87% | 0% | 10% | 2% |
| **Liquid Credit** | 0% | 55% | 0% | 11% | 34% |
| **Illiquid Credit** | 0% | 0% | 0% | 0% | 100% |
| **Illiquid Markets** | 0% | 0% | 0% | 0% | 100% |
| **Total[6]** | **0%** | **42%** | **0%** | **8%** | **49%** |

| | Metric 4: Science Based Targets initiative (SBTi) Rating | |
|---|---|---|
| | **2024** | **2023** |
| **Liquid Markets** | 51% | 49% |
| **Liquid Credit** | 34% | 33% |
| **Illiquid Credit** | N/A | N/A |
| **Illiquid Markets** | N/A | N/A |
| **LDI** | N/A | N/A |
| **Total[7]** | **N/A** | **N/A** |

[6] Figures do not sum as totals are weighted averages.
[7] SBTi ratings are unavailable for the illiquid credit, illiquid market and LDI holdings, so totals have not been aggregated.

*Metrics 1 & 2*:

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

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

As at 31 December 2024, liquid credit contributed the greatest absolute emissions, in line with it being the largest part of the Scheme's portfolio. For the liquid credit assets, scope 1 & 2 absolute emissions remained broadly unchanged from last year, as did scope 1 & 2 carbon intensity. For scope 3 emissions and footprint, there has been a year-on-year increase, primarily due to a change in methodology by the Scheme's ESG data provider.

Over the year, the carbon footprint of the illiquid markets asset class, which consists of both renewable infrastructure funds Mirova and Stonepeak, increased over the year due to modelling updates. Despite this, it continues to be the asset class with the lowest carbon footprint. It should be noted that asset class proxy assumptions are used to model the carbon emissions of each fund, as opposed to actual holdings data. As such, there are limited meaningful conclusions that can be drawn from these results.

The Scheme's liquid markets allocation, which consists solely of residual holdings in an equity index fund, has the second lowest carbon footprint. This is due to the equity index the Scheme tracks, which is an index which excludes companies with fossil fuel reserves. The absolute carbon emissions decreased due to a lower absolute allocation following the almost full redemption over the year.

In previous iterations of this report, the Trustee noted that a significant proportion of portfolio emissions in the LDI portfolio were not reported on. This was as the Trustee, based on advice from its investment consultant, did not view there as being a suitable approach to reporting on sovereign emissions and they were therefore omitted from the analysis. The Trustee subsequently challenged its investment consultant to be able to provide an alternative methodology for reporting sovereign emissions in the absence of data from the LDI manager. This new methodology has now been incorporated, enabling the Trustee to report on carbon emissions in the LDI portfolio for the first time However, as highlighted earlier in the report, this methodology differs from that used for the Scheme's other assets, and therefore direct comparisons cannot be made.

As coverage of the overall portfolio improves, the Scheme is likely to see continued volatility in the reported total emissions attributed to the portfolio. The Trustee is also aware that it is placing a large reliance on the Government achieving its net zero ambition. This is due to the material allocation that the Scheme has to UK Government bonds, although these assets are not currently included in the Scheme's decarbonisation target.

*Metric 3*:

The PCAF Data Quality breakdown provides an insight into the reliability of companies' emissions and provides the Trustee with useful context for interpreting the emissions-based metrics. Please note that a PCAF Data Quality Score is only available where line-by-line data is available for the respective fund. In cases where there is insufficient corporate coverage for emissions data, an asset class proxy is used,

resulting in a PCAF data quality score of grade five for that asset. Additionally, it is worth noting that MSCI does not currently assign a score of 1 to any issuers, meaning that the best available score is 2.

The analysis shows that, as at 31 December 2024, the data quality of the Scheme's liquid assets is generally much better than that of the illiquid assets. The anomaly to this is PIMCO, whose data quality is notably worse than the other liquid credit assets. This is due to using 100% asset class modelling of emissions for this fund, rather than line by line data, which is viewed as more appropriate for such a strategy which uses long and short positions. The Trustee will continue to monitor data quality closely and expects its investment consultant to support it in improving data coverage across the portfolio.

*Metric 4*:

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

Portfolio alignment continues to be lower across liquid credit than liquid markets, but this includes a wide range across the different liquid credit funds. Given the nature of LDI being made up of sovereign debt (and related instruments), no score can be calculated. There is also no score for the illiquid assets because an asset class assumption is used for the modelling, rather than actual holdings data.

Since 31 December 2023, there has been a marginal increase in the proportion of liquid market and liquid credit assets that have declared net zero targets validated by the SBTi. However, as noted earlier in this section, the Trustee acknowledges that this metric is based on voluntary targets set by companies and therefore may become less useful without sufficient policy change.

**DC Section results:**

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

| | Proportion of total DC assets | | Metric 1: Absolute Carbon Emissions (tCO2e)[8] | | | | Metric 2: Carbon Footprint (tCO2e/ £m)[8] | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | | 2023 | | 2024 | | 2023 | |
| | | | Scopes 1 & 2 | Scope 3 | Scopes 1 & 2 | Scope 3 | Scopes 1 & 2 | Scope 3 | Scopes 1 & 2 | Scope 3 |
| BlackRock 60/40 Global Equity Index Fund[9] | 27% | 2% | 50 | 588 | N/A | N/A | 88 | 1,036 | N/A | N/A |
| BlackRock DC 70/30 Global Growth | 28% | 54% | 51 | 622 | 1,756 | 17,260 | 88 | 1,071 | 90 | 887 |
| BlackRock DC Pre-Retirement | 17% | 15% | 6 | 56 | 90 | 610 | 16 | 158 | 16 | 111 |

*Data availability and coverage:*

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

a. Over 2024, the vast majority of DC benefits were transferred to a separate master trust arrangement and only very few DC members remain, with a plan to transfer the remaining members to the same arrangement soon. As such, the Trustee is not expecting to have a long-term influence on the DC investment strategy which it could use to improve climate-related metrics. Therefore, it was viewed as proportionate to use a lower cost and time-intensive approach to measuring the DC Section metrics.

b. Further, given the relatively small size of residual DC assets compared to DB assets, the results for the DC Section are considered of lower importance at an overall Scheme level. Again, the Trustee therefore viewed it as proportionate to use a lower cost and time-intensive approach to measuring the DC Section metrics.

c. Finally, the Trustee previously attempted to use actual underlying security holdings data where data is available (following the same approach as for the DB Section), but the process for obtaining the data became more time consuming than expected, again highlighting the appropriateness of the proportionate approach set out under the two points above.

[8] Carbon metrics (Metrics 1 and 2) are proxied for all funds but are not estimated for sovereign debt or cash. Therefore, they are set at zero for a large part (c.70%) of the BlackRock DC Pre-Retirement Fund.
[9] As this fund was not a 'popular arrangement' last year, these metrics were not reported on.

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

*Metrics 1 & 2:*

The most popular arrangement, BlackRock DC 70/30 Global Growth, has the highest carbon footprint of the funds analysed. Given the almost equivalent asset base, the next most popular arrangement, the BlackRock DC 60/40 Global Equity Index Fund, has almost equivalent carbon emissions and carbon footprint. This is true for both scopes 1 & 2 and scope 3 emissions.

The disproportionately lower absolute emissions for the BlackRock DC Pre-Retirement Fund is driven by the fact that sovereign bonds carbon emissions, which make up c.70% of the Fund, are set at zero. This is because, as mentioned earlier in this section, the methodology for estimating sovereign emissions differs to that used for corporate emissions, and so it would not be sensible to combine these into a total emissions figure for the Fund. As such, at this stage, it is difficult to draw conclusions from this data.

The carbon footprint metrics stayed broadly consistent from 2023 to 2024, with no material changes, leading to no changes in conclusions. Reductions in absolute emissions over the year were driven by the transfer of DC members and assets to a separate Master Trust arrangement completed in December 2024.

*Metric 3:*

A PCAF Data Quality Breakdown score is only available where line-by-line data is available for a respective fund, as its requires data on the actual underlying holdings of a fund. Therefore, this analysis is not available for any of the DC funds as asset class assumptions have been used.

*Metric 4:*

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

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

## Appendix A: Sustainable Investment Beliefs Statement

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

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

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

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

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

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

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

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

## Appendix B: The Scheme's Climate Governance Structure

### Sponsor and sponsor advisors

- Provides employer sponsor ("Company") input into Trustee and IFC discussions, for their consideration
- Engages with Trustee advisors as appropriate to support their roles

### Trustee Board

- Overall responsibility for oversight of climate-related risks and opportunities
- Delegates certain activities to sub-committees and relevant third parties
- Appoint external advisors

### Covenant Advisor

- Advises on the possible effects on the Company's financial support for the Scheme (covenant strength) resulting from climate change risks and opportunities

### Investment and Funding Committee

- Discusses and assesses climate-related risks and opportunities and recommends approach for incorporating into the investment strategy for both the DB section and DC section (and funding strategy for the DB section), factoring in external advice as appropriate
- Sets and reviews the Scheme's Sustainable Investment Policy and Stewardship Policy
- Engages with advisors and investment managers to implement these policies, and develop them over time
- Sets and measures climate metrics and targets, and tracks progress against targets
- Report quarterly to the Trustee Board on climate-related matters

### Administration and Governance Committee ("AGC")

- Maintains Trustee knowledge and understanding
- Monitors the risk register
- Engages with members
- Ensures other committees take appropriate action to mitigate the risks they are responsible for

### Scheme Actuary

- Advises on the possible effects on the Scheme's funding strategy and liabilities (particularly due to mortality trend changes) due to climate change risks and opportunities

### Investment Consultant

- Advises on the possible effects on the assets due to climate change risks and opportunities
- Provides climate-related analysis
- Provides training on climate-related risks and opportunities
- Supports compliance with relevant regulatory requirements
- Supports engagement with investment managers
- Researches, monitors and reports on investment managers' capabilities and performance, including stewardship

### Investment Managers

- Integrate climate-related risks and opportunities into investment processes as applied to the assets of the Scheme
- Exercise full discretion in evaluating ESG factors, including climate change considerations, exercising voting rights attached to the investments and undertaking stewardship activities (including engagement activities)
- Where relevant, the Trustee expects its managers to use voting rights to reflect the principles set out in both the Scheme's Statement of Investment Principles and Sustainable Investment Policy

## Appendix C: The Trustee's approach to managing and integrating climate-related risks and opportunities

| Asset Class | Manager | Asset Allocation 31/12/24 (%)[10] | Net Zero Commitment (on mandate level) (year) | Overview of approach to managing and integrating climate risks and opportunities |
|---|---|---|---|---|
| **Global Buy and Maintain Investment Grade Corporate Bonds** | **Amundi** | 19% | 2050 | • Segregated mandate with Trustee-driven decarbonisation targets.<br>• Aims to reduce the weighted average carbon intensity of the mandate so that it is 15% below its reference benchmark.<br>• Target 0% exposure to issuers with carbon reserves.<br>• Target 100% of issuers with a carbon reduction target. However, these targets do not necessarily need to be validated as aligning with the Science Based Targets initiative (SBTi).<br>• The manager calculates temperature alignment using a proprietary model to help evaluate and project companies' carbon emissions intensity into the future and compare them with sector-level targets to achieve alignment with Paris Agreement goals. This forward-looking element allows the manager to hold securities by issuers that may have high carbon emissions today but have a clear roadmap to lowering them in the future – this aligns with the Trustee's desire to help contribute towards zero real economy emissions. |
| | **Insight Investment** | 18% | No | • Invest on a net-zero basis. Insight intends to hold carbon below market going forward and trend to zero by 2050. The fund avoids issuers that have not, and will not, make a commitment to achieve net zero by 2050.<br>• Issuers with Insight's lowest proprietary ESG score are avoided.<br>• Issuers materially exposed to, or reliant on, coal or unconventional oil/gas extraction are avoided, as are issuers that score poorly on controversy risk, and/or are potentially violating UNGC or other standards. |

[10] Total asset allocation may not sum to 100% due to rounding.

| Asset Class | Manager | Asset Allocation 31/12/24 (%)[10] | Net Zero Commitment (on mandate level) (year) | Overview of approach to managing and integrating climate risks and opportunities |
|---|---|---|---|---|
| **Absolute Return Bonds** | **PIMCO** | 10% | No | • No decarbonisation target in place. The manager focuses on engagement with companies.<br>• The Trustee views PIMCO as having an ESG advantage relative to its peers in the diversified absolute return bonds space. However, overall ESG integration can still be improved and the Trustee, through its investment consultant, will continue to work with the manager to further understand and improve ESG efforts in relation to the fund the Scheme is invested in.<br>• |
| **Passive Equities** | **LGIM** | 0% | 2050 | • Tracks index designed to account for the risks and opportunities associated with the transition to a low-carbon economy, with the following influencing constituent weights: exposure to green revenues, fossil fuels and carbon emissions, climate governance activities and commitments to Paris Aligned carbon emission pathways.<br>• No explicit decarbonisation target or pathway that is aligned with the goals of the Paris Agreement. Given this, the IFC is began investigating transitioning to an alternative climate-focused index fund which does have a decarbonisation target and pathway defined. However, in April 2024, the Trustee placed an almost full redemption from this fund to reduce risk in the portfolio. |
| **Senior Private Debt** | **Mercer Global Investments** | 8% | No | • Limited explicit integration of climate risks and opportunities, and no direct contribution to carbon reduction of impact objectives, but this is an illiquid investment that is currently in run-off, so there is limited scope to make changes here. |
| **Renewable Infrastructure** | **Mirova** | 4% | 2050 | • The allocation is globally diverse in terms of geographic exposure, so there is not a concentrated exposure to physical climate risk in any certain geography. |

| Asset Class | Manager | Asset Allocation 31/12/24 (%)[10] | Net Zero Commitment (on mandate level) (year) | Overview of approach to managing and integrating climate risks and opportunities |
|---|---|---|---|---|
| | **Stonepeak** | 2% | 2050 | • The Trustee has the view that the transition of our energy system towards low-carbon solutions such as wind and solar is necessary to keep the rise of global temperatures below 2 degrees, in line with the aim of the Paris Agreement.<br>• It is therefore the Trustee's view that this fundamental change in the structure of our energy system makes Renewable Infrastructure an asset class with a compelling long-term risk-adjusted return. |
| **LDI** | **Schroders** | 40% | No | • Schroders can participate in UK green gilt syndications, where this would be an appropriate Scheme investment in line with the SIP.<br>• Climate risk is viewed as a less material risk within LDI than return-seeking assets because the Scheme uses the LDI portfolio to hedge the funding level. This means that negative effects on the LDI assets due to climate-related effects on interest rates and inflation would be expected to have proportionately positive effects on the Scheme's liabilities, resulting in a broadly neutral funding outcome. |

## Appendix D: Summary of Prior Year Scenario Analysis

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

The Trustee undertook this scenario analysis consistent with the Network for Greening Financial System ("NGFS") scenarios. The Network for Greening the Financial System (NGFS) is a group of 145 members and supervisors and 23 observers committed to sharing best practices and developing environment related risk management in the financial sector and mobilising mainstream finance to support the transition.

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

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

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

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

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

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

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

***DB Section*:**

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

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

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

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

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

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

As shown in the table above, the Scheme's funding position was expected to worsen under the majority of scenarios. Though there were some scenarios (i.e. orderly transitions) where there was expected to be an increase in longevity (i.e. increased life expectancies), and so an increase in liabilities, the modelled interest rate effects mean that there were no scenarios where the total liabilities were expected to increase. However, under all scenarios bar the Hot House World, the adverse effect on asset values (which included broadly corresponding interest rate effects through the liability hedging strategy) was modelled to have a larger negative funding impact than the positive funding impact from the liability reductions.

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

The Hot House World scenario, which assumes low transition risk but high physical risk, was expected to have a positive funding outcome. However, this was due to the relatively low asset impact being outweighed by the larger magnitude liability impact, which was majorly driven by reduced life expectancies. The relatively low asset impact was due to the physical risk and transition risk present in the scenario and how the impacts for each scenario are discounted back to present day; whilst Hot House World is the scenario with the greatest physical risk, this risk is projected to occur further in the future than transition risk (which is largely in the next decade or so), so it is discounted over a longer period and results in a lower present day value of the impact. However, the current global trajectory is closer to a 'hot house' scenario than any other transition scenario, and there is a chance physical risks could occur sooner, and be far more material, than models currently predict.

*Covenant scenario analysis*

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

The covenant advisor considered the same climate scenarios as used for the investment and funding scenario analysis set out above. They found that the Group was exposed to risks such as higher cost of emissions (e.g. carbon taxes), particularly under faster transition scenarios. The Group was also exposed to physical risk, both in the shorter and longer term, but with a wider range of and more pronounced physical risk implications in the longer term (e.g. extreme weather events, rising sea levels); however, the scenario analysis under the Hot House World scenario suggested that this would be less challenging for the Scheme as its need for financial support from the Group was expected to be lower. Therefore, the main risk to the Scheme's funding resilience under different climate scenarios was the potential for the additional Scheme funding that may be required under the four transition scenarios (i.e. 1.5°C/2°C Orderly/Disorderly Transition) to be unaffordable for the Company and the Group.

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

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

The Trustee, with advice from its covenant advisor, considered further key challenges for the Group, such as reducing carbon emissions in line with its 1.5°C SBTi commitment, shifting to renewable energy, ensuring proper implementation of its environmental program and actions plans, decarbonising its supply chain and decarbonising digital solutions. The Trustee was aware that the

additional funding requirements of the Scheme resulting under some of the climate scenarios could place strain on the covenant, but recognised that the Group was taking steps to mitigate climate risk, for example, through its active emissions reduction strategy.

***DC Section:***

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

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

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

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

Further to the limitations of the scenario analysis outlined in the 'Strategy' section, the usefulness of this modelling is limited further for the DC Section due to the treatment of sovereign debt and cash, which a stress was not estimated for. This means there were no results to consider for BlackRock DC Index-linked Gilt or BlackRock DC Cash, and it also further limited the usefulness for BlackRock DC Pre-Retirement as it is largely made up of sovereign debt.

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

Where deemed appropriate and to the extent relevant and possible, the Trustee will consider how to use such analysis in decisions relating to the investment strategy in future. The Trustee's investment consultant researches and considers possible ways to improve data quality across asset classes, including sovereign debt and cash, on an ongoing basis. As developments are made in the area, the Trustee expects its investment consultant to bring potential methods for improvement to IFC meetings for the committee to consider.

# Appendix E: Metrics Methodologies and Assumptions

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

**1. Absolute emissions:**

The Trustee monitors the total greenhouse gas emissions of the Scheme's assets. Greenhouse gases are gases in the Earth's atmosphere that are capable of absorbing infrared radiation and thereby trap and hold heat in the atmosphere. The main greenhouse gases are carbon dioxide ("CO2"), methane ("CO4"), and nitrous oxide ("NO2"). Recognised protocol is to aggregate these emissions and translate them to a carbon dioxide equivalent ("CO2e") for consistency of measurement and reporting.

There are three scopes of carbon emissions:

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

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

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

The analysis is performed at a fund level. Aggregated emissions for each fund are calculated on the portion of holdings that have line-by-line holdings data, with the remaining holdings without carbon data coverage proxied using asset class modelling of emissions. For funds without any line-by-line data, or where short positions in corporate issuers exceed 2% of the portfolio, emissions are fully modelled using asset class assumptions. Whilst line-by-line data was available for the LGIM equity fund, Amundi buy and maintain fund and Insight buy and maintain fund, for all other funds, emissions were estimated entirely using asset class proxies. In PIMCO's case, although partial line-by-line data was available, 100% asset class modelling was used due to short positions from corporate issuers exceeding 2% of the Fund's allocation. The Trustee notes using asset class modelling of emissions for assets where line-by-line data is not available enables a more holistic view of the Scheme's total portfolio emissions, albeit recognising that the modelled data is not perfect.

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

The Trustee also now monitors the sovereign emissions for the Scheme. For sovereign bonds, slightly different categories are used versus those used for corporate emissions:

- **Production emissions**: the emissions of everything produced in a country; this is broadly equivalent to scope 1 emissions; and

- **Import emissions**: the emissions of what a country imports from other countries; this is equivalent to scope 2 & 3 emissions. In practice, for large economies, scope 2 emissions are trivial in comparison to the other scopes.

The share of a country's emissions is attributed to an investment by dividing the value of a portfolio holding by an economy's purchasing-power-parity- ('PPP') adjusted GDP. PPP-adjusted GDP refers to gross domestic product that is based on purchasing power parity. This adjustment is done in order to aid comparison between different economies.

**2. Emissions intensity:**

The Trustee monitors carbon footprint as its emissions intensity metric. Carbon footprint measures the carbon efficiency of a portfolio in terms of emissions per million pounds invested. It normalises the total financed emissions for the value of the portfolio. In other words, as it shows the emissions per millions of pounds invested, the metric is comparable between investments of different sizes.

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

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

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

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

**3. Additional climate change metric**

For the non-emissions-based metric, the Trustee now monitors the PCAF data quality score, which assesses the reliability of the emissions data used for each fund. The scoring system ranges from one to five, with one representing the highest-quality data (independently verified emissions data) and five indicating the lowest quality (estimated emissions data derived from industry peers).

Please note that a PCAF Data Quality Score is only available where line-by-line data is available for the respective fund. In cases where there is insufficient corporate coverage for emissions data, an asset class proxy is used, resulting in a PCAF data quality score of grade five for that asset class.

**4. Portfolio alignment**

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

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

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

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

| Fund | Fund Value (£m) | Corporate Scope 1 & 2 emissions coverage | Corporate Scope 3 emissions coverage | Carbon Emissions (tCO2e) | | | | Carbon Intensity (tCO2e / EVIC £m) | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Current – Scope: | | Previous – Scope: | | Current – Scope: | | Previous – Scope: | |
| | | | | 1+2 | 3 | 1+2 | 3 | 1+2 | 3 | 1+2 | 3 |
| Liquid Markets (Equities) | | | | | | | | | | | |
| LGIM FTSE TPI Global (ex Fossil Fuel) Equity Fund (OFC) | 0.1 | 97% | 97% | 1 | 51 | 3,045 | 27,719 | 13 | 457 | 33 | 300 |
| Liquid and Semi-Liquid Credit | | | | | | | | | | | |
| Amundi Buy & Maintain Fund | 214.9 | 100% | 100% | 6,017 | 65,502 | 7,964 | 50,455 | 28 | 305 | 37 | 232 |
| Insight Buy & Maintain Bond Fund | 207.6 | 76% | 75% | 15,630 | 67,294 | 14,189 | 48,253 | 75 | 324 | 67 | 227 |
| PIMCO Low Duration Opportunities Fund | 108.6 | - | - | 6,679 | 53,997 | 3,527 | 19,211 | 62 | 497 | 64 | 350 |
| Illiquid Credit | | | | | | | | | | | |
| Mercer Private Investment Partners III Fund (Offshore) | 12.6 | - | - | 2,360 | 12,708 | 3,174 | 14,961 | 187 | 1,006 | 167 | 787 |
| Mercer Private Investment Partners IV SICAF-SIF - Senior Private Debt Fund | 31.8 | - | - | 5,941 | 31,986 | 7,660 | 36,112 | 187 | 1,006 | 167 | 787 |
| Mercer Private Investment Partners V SICAF-SIF - Senior Private Debt Fund | 49.5 | - | - | 9,251 | 49,806 | 9,678 | 45,623 | 187 | 1,006 | 167 | 787 |
| Illiquid Markets | | | | | | | | | | | |
| Mirova Energy Transition 5 Fund | 40.4 | - | - | 66 | 2,557 | 54 | 1,630 | 2 | 63 | 2 | 46 |
| Stonepeak Global Renewables Fund | 27.2 | - | - | 309 | 3,981 | 19 | 582 | 11 | 147 | 2 | 46 |
| **TOTAL PORTFOLIO** | **692.7** | | | **46,254** | **287,882** | **51,227** | **255,693** | **67** | **416** | **62** | **311** |

All "Current Total Portfolio" figures in this table are weighted averages with the exception of "Fund Value" and "Absolute Carbon Emissions (tCO2e)".
"Absolute Carbon Emissions (tCO2e)" is calculated using the notional value of the fund. "Fund Value (£m)" shows the mark-to-market value of the fund.
"Previous" figures show climate metrics from 12 months prior to "Current" figures. Fund-level "Previous" figures may not sum to the "Previous Total Portfolio" figures because the "Total Portfolio" values may contain funds that have now been divested from and not reported in this table.
Carbon metrics are proxied where there is insufficient data for funds. In these instances, no figure is shown for MSCI Climate Metrics Coverage.
Scope 3 emissions have been de-duplicated in the "Total" columns by a factor of 0.22.
ESG and MSCI Carbon metrics meet the current minimum UK DWP's TCFD-aligned "Metrics and Targets" regulations. However, regulations are subject to change. Redington monitors developments closely.
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# Appendix F: Glossary of Terms (ESG and Carbon Metrics)

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

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

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

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

**PCAF Data Quality Score:** The Partnership for Carbon Accounting Financials Data Quality breakdown monitors the reliability of companies' emissions data and provides useful context for interpreting the emissions-based metrics, allowing the Trustee to make better informed decisions. The scoring system ranges from one to five, with one representing the highest data quality, which involves independently verified emissions data, and five indicating the lowest quality, characterised by estimated emissions data derived from industry averages.

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

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

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

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

## Appendix G: Disclaimer

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